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IN THE

Supreme Court of the United States

OCTOBER TERM, 1995

IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA,
Petitioner,

v.

U.S. PHILIPS CORPORATION,
NORTH AMERICAN PHILIPS CORPORATION and
N.V. PHILIPS GLOEILAMPENFABRIEKEN,
Respondents.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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PETITION FOR WRIT OF CERTIORARI

GARY M. HOFFMAN
(Counsel of Record)
CHARLES W. SABER
GABRIELLE S. ROTH
DICKSTEIN, SHAPIRO
& MORIN, L.L.P.
2101 L Street, N.W.
Washington, D.C. 20037
(202) 785-9700
Attorneys for Petitioner
Izumi Seimitsu Kogyo
Kabushiki Kaisha

Of Counsel:
JAMES VANR. SPRINGER
DICKSTEIN, SHAPIRO
& MORIN, L.L.P.

WILLIAM L. ANDROLIA
KODA & ANDROLIA
1880 Century Park East
Los Angeles, California 90067
(310) 277-1391

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QUESTIONS PRESENTED

1. Whether a court of appeals has jurisdiction under 28 U.S.C. § 1292(b) to decide an interlocutory appeal by formulating and answering a question that was neither certified as a controlling question nor decided by the district court. (This is the same question the Court asked the parties to brief when granting certiorari in *Yamaha Motor Corp., U.S.A. v. Calhoun*, 115 S. Ct. 1998 (1995), except that in *Yamaha* the uncertified question was decided by the district court and here it was not.)

2. If the answer to the preceding question is in the affirmative, whether the concept of "judicial estoppel"—which is expanding rapidly in the lower federal courts without guidance from this Court—can be used to expand upon the specific provisions of Rule 13 regarding compulsory and permissive counterclaims, so as to prohibit assertion of a claim which remains objectively permissive under Rule 13 standards and which the claimant has consistently characterized as such in both the present and prior litigation.

PARTIES BELOW

In addition to the parties listed in the caption, Sears Roebuck & Co. ("Sears") was also a defendant in the District Court and a party in the Court of Appeals. Sears was not, however, a party to the counterclaim that is the subject of this Petition. Sears will be filing a separate petition for a writ of certiorari raising a question relating to a claim brought by the Respondents against Sears, but not against the present Petitioner. The questions in the two petitions, like the claims to which they relate, are entirely distinct. This Petition is, however, also being served upon Sears.

STATEMENT PURSUANT TO RULE 29.1

Izumi Seimitsu Kogyo Kabushiki Kaisha has no parent or subsidiary companies.

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PETITION FOR WRIT OF CERTIORARI

Izumi Seimitsu Kogyo Kabushiki Kaisha ("Izumi") petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit insofar as it affirmed the District Court's dismissal of Izumi's antitrust counterclaims against the Philips Respondents (collectively "Philips").[1]

OPINIONS BELOW

The opinion of the Court of Appeals (App. A, 1a-18a) is reported at 55 F.3d 592. The District Court's opinions stating its grounds for dismissing Petitioner's antitrust

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[1] The three Respondents are affiliated companies whose individual roles are immaterial for present purposes.

counterclaims and denying reconsideration of that dismissal, all unreported, are set forth as Appendices B, C and D (App. 19a-41a).[2]

JURISDICTION

The judgment of the Court of Appeals was entered on May 10, 1995. A timely petition for rehearing and suggestion for rehearing in banc was denied on July 6, 1995. (App. G, 49a-50a). The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

RULE INVOLVED

Fed. R. Civ. P. 13 provides as follows in pertinent part:

> Rule 13. Counterclaim and Cross-Claim
>
> (a) Compulsory Counterclaims. A pleading shall state as a counterclaim any claim which at the time of serving the pleading the pleader has against any opposing party, if it arises out of the transaction or occurrence that is the subject matter of the opposing party's claim and does not require for its adjudication the presence of third parties of whom the court cannot acquire jurisdiction . . . .
>
> (b) Permissive Counterclaims. A pleading may state as a counterclaim any claim against an opposing party not arising out of the transaction or occurrence that is the subject matter of the opposing party's claim.

STATEMENT

The ultimate issue here is whether Izumi has been properly barred, as a result of having been a defendant in prior patent litigation in the Southern District of Florida, from asserting its antitrust claims against Philips as counterclaims to Philips' present patent claim against Izumi in

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[2] Only pages 40a-41a of Appendix D pertain to the counterclaim issue.

the Northern District of Illinois.[3] The District Court held that Izumi's antitrust claims were barred because the compulsory counterclaim rule (Fed. R. Civ. P. 13(a)) obliged Izumi to bring them in the Florida patent lawsuit. The District Court certified this compulsory counterclaim question for interlocutory appeal under 28 U.S.C. § 1292(b), and the Court of Appeals accepted it for review. (App. F, 45a-48a). The Court of Appeals, however, eschewed decision of the certified question—over a dissent that would have answered it in Petitioner's favor—but affirmed on an alternative theory that Izumi was "judicially estopped" to raise the counterclaims now even if they were not compulsory counterclaims in the prior litigation. The panel majority thus decided this interlocutory appeal on a ground that was not certified under § 1292(b), was never raised or considered by the District Court and was never briefed in the Court of Appeals (except on the petition for rehearing which was denied without opinion).

The Prior Florida Action

In the Florida action, Philips alleged that Windmere Corporation, a U.S. distributor of rotary electric shavers manufactured by Izumi, had infringed a Philips patent relating to the spacing of cutter blades.[4] Philips also charged Windmere with trade dress infringement, claiming that the exterior design of the Windmere shavers was a copy of Philips' shaver design. Izumi was named as a codefendant on the patent claim on the theory that it had induced infringement, but was not sued on the trade dress claim. Windmere filed antitrust counterclaims against Philips, which focused primarily on Philips' conduct in response to Windmere's 1984 entry into the U.S. rotary

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[3] The District Court has jurisdiction over Philips' patent and unfair competition claims under 28 U.S.C. § 1338, and over Izumi's antitrust counterclaims under 28 U.S.C. § 1337.

[4] U.S. Patent No. 4,227,301 ("the '301 patent").

shaver market. Izumi did not file any antitrust counterclaim in the Florida litigation.[5]

The ultimate result after two trials[6] was that the jury found for Philips on its patent infringement claim, awarding only $6,500, and rejected Philips' trade dress claim. On Windmere's antitrust claims, the jury found (after remand from the Federal Circuit) that Philips had unlawfully monopolized the rotary shaver market through predatory pricing. The jury awarded Windmere almost $90 million (after trebling); Windmere and Philips settled for $57 million while this judgment was on appeal in the Federal Circuit.[7]

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[5] Izumi paid for Windmere's defense against the patent and trade dress claims under a contractual indemnification arrangement, but not for the prosecution of Windmere's antitrust counterclaims.

[6] The first trial was held in 1986 and involved all three claims. After an appeal to the Federal Circuit on Windmere's antitrust claim and an order for a new trial by the District Court on Philips' trade dress claim, there was a 1990 retrial of those two claims.

[7] Pursuant to the settlement, Philips and Windmere filed a joint motion to vacate the Florida antitrust and unfair competition judgment entered against Philips. The Federal Circuit rejected Izumi's attempt to intervene to oppose vacatur and granted the motion to vacate. *U.S. Philips Corp. v. Windmere Corp.*, 971 F.2d 728 (Fed. Cir. 1992). This Court granted Izumi's petition for a writ of certiorari to review the propriety of the Federal Circuit's practice of vacating judgments where the parties settle. After briefing and oral argument, this Court dismissed the petition as improvidently granted on the ground that the petition did not fairly include the issue whether Izumi was properly denied intervention. *Izumi Seimitsu Kogyo Kabushiki Kaisha v. U.S. Philips Corp.*, 114 S. Ct. 425 (1993) (per curiam). Subsequently, in *U.S. Bancorp Mortgage Co. v. Bonner Mall Partnership*, 115 S. Ct. 386 (1994), this Court decided that the practice of vacating upon settlement is indeed improper, in part relying on Justice Stevens' dissent in *Izumi v. Philips, supra*.

Izumi has filed a separate lawsuit against Windmere in Florida claiming, among other things, a contractual entitlement to a portion of the settlement of Windmere's antitrust claim.

The Present Illinois Action

While the Florida case was still in its early stages, Philips instituted the present lawsuit relating to Izumi shavers sold by Sears Roebuck & Co. ("Sears"). Here, Philips accuses Sears of infringing the same cutter blade-spacing patent that was the subject of its Florida complaint (and also a design patent), and again names Izumi as a codefendant which allegedly induced infringement. Again, Philips also claims trade dress infringement by the seller (Sears in this case), repeating the allegations made in the Florida case that the exterior designs of shavers copied Philips' shavers.[8]

Faced with this second lawsuit by Philips, Izumi decided to assert antitrust and related counterclaims seeking the damages it had suffered from Philips' various activities to preserve its rotary-shaver monopoly by preventing or restricting sales of Izumi shavers in the United States market. Izumi's counterclaims allege a scheme going back to 1977 with three main elements—(a) sham litigation against Izumi in Japan, (b) illegal acquisition of the Schick trademark to preclude its use with Izumi shavers and (c) predatory pricing designed to prevent sale of Izumi-manufactured shavers.

Izumi filed these antitrust counterclaims in the present Illinois case approximately eight months before the first trial in Florida. Phillips answered Izumi's counterclaims on the merits without suggesting any Rule 13(a) obstacle; indeed, its subsequent October 16, 1985 Report to the Court on Settlement Discussions and Discovery expressly referred to Izumi's antitrust claims as "permissive counterclaims." Philips changed its position after the first Florida trial (which gave Philips an antitrust victory for the moment) to argue, among other things, that Izumi's antitrust claims were barred in the present Illinois action be-

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[8] As with Windmere in Florida, Izumi is paying for Sears' defense under an indemnity contract. Here, as there, Izumi is not named in the trade dress count.

cause they should have been brought as compulsory counterclaims in Florida. The District Court accepted Philips' position and dismissed Izumi's antitrust claims on Rule 13(a) grounds. (App. B, 19a-29a). It also denied successive requests for reconsideration. (*See* Apps. C and D, 30a-31a and 40a-41a, respectively).

In November 1992, the District Court certified the compulsory counterclaim question and another separate question for interlocutory appeal pursuant to 28 U.S.C. § 1292(b).[9] It framed this question as follows:

> Whether Izumi is barred from pursuing its antitrust counterclaims on the basis that such counterclaims were compulsory counterclaims in a previously filed action of *U.S. Philips Company et al., v. Windmere Corp., et al.,* which could not be asserted in this action, and whether Izumi has standing to raise these particular counterclaims.

(App. E, 57a-59a).

The Court of Appeals Decision

The Federal Circuit's decision below affirmed the dismissal of Izumi's antitrust counterclaims, over a dissent by Senior Judge Friedman, without ever addressing the certified question. Instead, the majority framed its inquiry as "not simply whether Izumi's antitrust counterclaims were 'compulsory' in the technical definition of this term, but whether they were required to be brought by Izumi on the particular facts of this case." (App. A, 5a-6a). It concluded that "[*a*]*lthough the Illinois court did not mention this ground,* we think that judicial estoppel provides a sound rationale for affirmance of the district court's decision," and that it was free to interpose that rationale because "[a]ppellate review of the inter-

[9] The second question concerned the collateral estoppel effect of the vacated Florida trade dress judgment on the trade dress claim asserted in Illinois against Sears (but not Izumi). The Federal Circuit's decision of that question will be the subject of a separate petition for a writ of certiorari filed by Sears.

locutory order is not confined to the precise questions certified by the district court." (App. A, 9a) (emphasis added). It did so notwithstanding the fact that judicial estoppel had not been discussed either in the District Court decision or in the appellate briefs.

The Court of Appeals derived its judicial estoppel rationale from three findings: (1) that "Izumi was present as a party, then as a witness, and as indemnitor" in the Florida action where codefendant Windmere litigated similar antitrust counterclaims (App. A, 6a); (2) that Izumi failed to seek permission to add its own counterclaims in Florida after the Illinois District Court "admonished" Izumi to do so (*id.*); and (3) that Izumi joined Windmere in a recommendation regarding the trial sequence to be followed in Florida, which persuaded that court that there was sufficient evidentiary overlap between Philips' intellectual property claims and Windmere's antitrust claims to warrant trying them together (App. A, 6a-7a).

The dissent expressed the view that the issue whether or not Izumi's counterclaims should have been brought in the Florida action was solely a question of interpretation of the compulsory counterclaim criterion of Rule 13(a)—"whether the counterclaim arose out of the same transaction or occurrence that was the subject of Philips' patent infringement suit in the Florida court against Windmere and Izumi." (App. A, 15a). The dissent concluded that it did not, and therefore "Rule 13 teaches that the claimant may litigate the counterclaim despite its failure to assert or litigate the claim in a prior case in which it could have done so." (App. A, 16a). The fundamental flaw in the majority's reliance on the alternative ground of judicial estoppel—for which there was no direct precedent—was that "[f]or all practical purposes, . . . the counterclaim is treated as compulsory without making the inquiry that Rule 13 prescribes as the basis for determining that question." (App. A, 15a).

REASONS FOR GRANTING THE PETITION

As we shall show, there are alternative reasons why this Petition should be granted. At a minimum, it should be held for appropriate disposition in light of *Yamaha Motor Corp., U.S.A. v. Calhoun*, 115 S. Ct. 1998 (1995). In *Yamaha*, the Court has *sua sponte* asked the parties to brief the question of appellate jurisdiction under 28 U.S.C. § 1292(b) that is the first question presented by this Petition. Section I of this Petition shows that there are indeed sound reasons for granting certiorari to give plenary consideration to that question in the present case; it is presented here in a more clear-cut form than in *Yamaha*, and in an adversarial framework where both sides of the question will be argued, whereas in *Yamaha* both briefs on the merits argue in common that the lack of certification under § 1292(b) should be no obstacle to reaching the substantive issue decided by the Court of Appeals. Section II shows the importance of the judicial estoppel issue that the Federal Circuit chose to decide in this case, and that it will warrant plenary consideration if this Court determines that it was properly entertained.

I. THIS CASE RAISES SQUARELY, AND IN AN ADVERSARIAL FRAMEWORK, THE QUESTION OF THE SCOPE OF APPELLATE JURISDICTION UNDER 28 U.S.C. § 1292(b) WHICH THIS COURT PLANS TO CONSIDER THIS TERM IN *YAMAHA MOTOR CORP. v. CALHOUN*.

In granting certiorari in *Yamaha*, this Court ordered the parties to brief the following additional question:

> Under 28 U.S.C. Section 1292(b), can the Courts of Appeals exercise jurisdiction over any question that is included within the order that contains the controlling question of law identified by the District Court?

115 S. Ct. at 1998. Here, as there, a court of appeals has reached out to decide an interlocutory appeal on an alternative ground as to which no question was certified

by the district court. There, the Third Circuit decision rested on a choice of state law when the certified question was whether the District Court had properly interpreted a rule of federal maritime law. Here, the Federal Circuit decision rests on an appellate finding of judicial estoppel when the certified question was whether the district court had properly barred the antitrust claims under the compulsory counterclaim rule.

Because the same question is presented here, it would be appropriate—at a minimum—for this Court to hold this Petition for appropriate disposition in light of the outcome in *Yamaha.*[10] Under all the circumstances, however, it would be more appropriate to grant this Petition for plenary consideration of the same question in this case, as well as for consideration of the other question presented in the event this Court holds that the Court of Appeals properly reached the judicial estoppel issue.

There are two reasons why this Court should grant rather than hold this Petition with respect to the § 1292(b) issue:

First, this case presents a more clear-cut example than *Yamaha* of appellate excursion beyond the question certified. In *Yamaha,* the district court had explicitly (and necessarily) decided that state law did not apply before it proceeded to fashion the federal maritime law rule which it certified. *Calhoun v. Yamaha Motor Corp., U.S.A.*, 40 F.3d 622, 624 (3d Cir. 1994), *cert. granted in part & denied in part,* 115 S. Ct. 1998 (1995). Accordingly, it can fairly be said that it was necessary for the Third Circuit to review the choice of law question in order to determine whether the certified question was meaningful or moot. *See id.* at 626. Here, in contrast, the Federal Circuit had no reason to *sua sponte* raise,

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[10] Under this approach, if the Court holds in *Yamaha* that the Court of Appeals' jurisdiction was limited to the certified question, it should grant the present Petition, vacate the judgment of the Federal Circuit and remand for the Federal Circuit to decide the compulsory counterclaim issue.

consider and decide the judicial estoppel issue in order to render a meaningful decision on the certified question of the applicability of the compulsory counterclaim rule. It apparently did so to evade decision of the certified question, and this focuses more precisely the issue that we believe concerns this Court in *Yamaha*.

Second, consideration of the § 1292(b) issue in *Yamaha* will be further hindered by the fact that the briefs filed by both sides seek to bypass that issue; both argue in harmonious voices that the Court of Appeals did properly reach the non-certified question there. Here, in contrast, Petitioner Izumi will vigorously argue that it was improper for the Court of Appeals to insert a judicial estoppel issue when the certified question involved only the applicability of the compulsory counterclaim rule upon which the District Court had relied.[11]

II. THE DISARRAY AMONG LOWER FEDERAL COURT DECISIONS INCREASINGLY RELYING ON JUDICIAL ESTOPPEL RAISES AN IMPORTANT QUESTION WHICH THIS COURT SHOULD ADDRESS.

A. The Judicial Estoppel Doctrine Has Had A Rapid But Undisciplined Growth In Recent Years, Leading To Inconsistency And Confusion Requiring Guidance And Supervision By This Court.

Until recently, it was rare for a federal court to invoke judicial estoppel. Our research has uncovered only one published federal court of appeals decision for the entire

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[11] We will argue, *inter alia*, that the principle underlying *Swint v. Chambers County Comm'n*, 115 S. Ct. 1203, 1209-10 (1995)—that the extent to which interlocutory appeals should be allowed is committed to district court discretion under § 1292(b)—negates the freewheeling approach of the Federal Circuit. The approach in *Yamaha* might be justified in that *Swint* left room for possible expansion of appellate jurisdiction to encompass "inextricably intertwined" issues. 115 S. Ct. at 1212. Here, however, the issues are distinct.

decade of the 1970s relying on "judicial estoppel." [12] In just the first five years of the present decade, however, judicial estoppel has been relied on by courts of appeals in 23 cases and considered in 68 others. The following charts demonstrate the dramatic growth of the doctrine in the federal courts:

COURTS OF APPEALS

	Judicial Estoppel Raised	Judicial Estoppel Found
1970-79 (10 years)	13	1
1980-89 (10 years)	62	12
1990-94 (5 years)	91	23

DISTRICT COURTS

	Judicial Estoppel Raised	Judicial Estoppel Found
1970-79 (10 years)	18	6
1980-89 (10 years)	105	19
1990-94 (5 years)	163	42

Appendix H to this Petition (51a-65a) lists the citations of the courts of appeals decisions during these three periods where "judicial estoppel" was raised and found.

[12] Our research was limited to courts' explicit use of the term "judicial estoppel." It is, of course, conceivable (though not at all obvious) that similar or related concepts may have been applied under different terminology.

This Court has not had occasion to give guidance to the lower courts about the circumstances, if any, where judicial estoppel may properly be invoked. This has resulted in considerable variance among courts as to the availability, scope and applicability of the doctrine. As the First Circuit has commented, "[t]he specific requirements [of the doctrine] are 'rather vague' and vary . . . from circuit to circuit." *Patriot Cinemas, Inc. v. General Cinema Corp.*, 834 F.2d 208, 212 (1st Cir. 1987). *Young v. United States Department of Justice*, 882 F.2d 633, 639 (2d Cir. 1989), *cert. denied*, 493 U.S. 1072 (1990) agreed that "[t]he circumstances under which the doctrine could be applied are far from clear." The District of Columbia and Tenth Circuits continue to reject the concept entirely. *United Mine Workers of America 1974 Pension v. Pittston Co.*, 984 F.2d 469, 477 (D.C. Cir. 1993); *Chrysler Credit Corp. v. Country Chrysler, Inc.*, 928 F.2d 1509, 1520 n.10 (10th Cir. 1991). The Federal Circuit itself has previously recognized that "[b]ecause of the absence of defined principles, the doctrine has been criticized, as it is basically an 'ad hoc' decision in each case." *Jackson Jordan, Inc. v. Plasser American Corp.*, 747 F.2d 1567, 1579 (Fed. Cir. 1984) (citing *Bertha Bldg. Corp. v. National Theatres Corp.*, 248 F.2d 833, 836 (2d Cir. 1957) (Hand, J., dissenting), *cert. denied*, 356 U.S. 936 (1958)). The decision below was just such an "ad hoc" resort to judicial estoppel.

Among the majority of circuits that recognize judicial estoppel, the rules articulated for its application vary significantly. Some courts have viewed judicial estoppel as applicable only where a party took inconsistent positions on a matter of fact. *E.g., Bates v. Long Island R.R.*, 997 F.2d 1028, 1037-38 (2d Cir.), *cert. denied*, 114 S. Ct. 550 (1993); *Tenneco Chems., Inc. v. William T. Burnett & Co.*, 691 F.2d 658, 664 (4th Cir. 1982). Others have extended the concept to apply also to inconsistent legal positions. *In re Cassidy*, 892 F.2d 637, 641-42 (7th

Cir.), *cert. denied*, 498 U.S. 812 (1990); *Hardwick v. Cuomo*, 891 F.2d 1097, 1105 n.14 (3d Cir. 1989). While most require that the first court have adopted the prior inconsistent position, *United States v. Owens*, 54 F.3d 271, 275 (6th Cir. 1995); *see Morris v. California*, 966 F.2d 448, 452-53 (9th Cir.), *cert. denied*, 113 S. Ct. 96 (1992), that requirement has not been uniformly applied, *see id.; AFN, Inc. v. Schlott, Inc.*, 798 F. Supp. 219, 224-25 & n.7, 227 (D.N.J. 1992). Some courts do not require any form of reliance, prejudice or harm to the opponent, *Teledyne Indus., Inc. v. NLRB*, 911 F.2d 1214, 1220 (6th Cir. 1990); *In re Cassidy*, 892 F.2d at 641 n.2, but others hold that "[t]he key ingredient . . . is reliance," *Young v. United States Department of Justice*, 882 F.2d at 639; *see Jackson Jordan, Inc. v. Plasser American Corp.*, 747 F.2d at 1580.

Plainly, the growth of the judicial estoppel doctrine in the lower courts is an important development characterized by a lack of definition and confusion among the circuits that calls for clarification by this Court.

B. The Decision Below Exemplifies The Standardless Manner In Which The Judicial Estoppel Doctrine Is Increasingly Being Applied In The Lower Courts.

The entirety of the Court of Appeals' articulation of judicial estoppel standards was as follows:

> Judicial estoppel is an equitable principle that holds a party to a position on which it prevailed, as against later litigation arising from the same events . . . . The doctrine of judicial estoppel is directed to the preservation of the integrity of judicial proceedings by protecting against litigants who " 'play fast and loose with the courts.' "

(App. A, 7a (citations omitted)). The Court of Appeals barred Izumi from asserting its antitrust counterclaims in this case because it gathered "the firm impression that Izumi has 'played fast and loose with the courts' " by

standing by while Windmere litigated somewhat similar claims in Florida, failing to follow the Illinois court's advice to seek to add its claims to the Florida litigation, and expressing the view that evidentiary overlap between Windmere's counterclaims and Philips' intellectual property claims warranted trying them together in Florida. Based on this "impression," the Federal Circuit held Izumi's Illinois counterclaims "judicially estopped" without regard to whether they were permissive counterclaims under Rule 13.

This was not a situation where Izumi had made any factual representation to the Florida court or even a legal representation that its potential antitrust claims fell within the compulsoriness criteria of Rule 13(a). To the contrary, all of the parties in Florida and the Florida judge uniformly characterized Windmere's antitrust claims as *permissive* counterclaims.[13] The position taken by Windmere and Izumi on the sequence of the Florida trial had nothing to do with the very different question whether the antitrust counterclaims might be compulsory under Rule 13(a). That position focused only on the Florida court's discretion, under Fed. R. Civ. P. 42(b), to determine whether the patent claims should be tried separately or together with Windmere's antitrust claims as a matter of convenience, expedition and economy; it said nothing about the Rule 13(a) "transaction or occurrence" test.

In the last analysis, the decision below reflects a generalized notion that it would have been more efficient if

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[13] *E.g.*, Transcripts of July 9, 1985 and August 30, 1985 in *U.S. Philips Corp. et al v. Windmere Corp. et al.*, S.D. Fla. No. 84-2508. This characterization applies equally to Izumi's present counterclaims, which Philips, the Illinois District Court and the Court of Appeals have all treated as substantially identical to Windmere's Florida counterclaims. (*See* App. B at 28a; App. A at 4a, 8a). Accordingly, the only inconsistency on this subject has come from Philips, which has contradicted not only the statements it made to the Florida court but also its initial reference to Izumi's claims in the Illinois District Court as permissive counterclaims (*see supra* p. 5).

Izumi had relinquished its Rule 13(b) right to choose the forum for its antitrust claims against Philips and that it should be penalized for failing to do so. If the concept of judicial estoppel can be expanded in this manner, it threatens to become a powerful but uncontrolled tool for overriding procedural rights that other doctrines and rules ostensibly guarantee. This is an important issue requiring this Court's attention.[14]

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[14] Other courts have also expanded amorphous notions of "fast and loose conduct" to avoid deciding cases under established rules. In *Patriot Cinemas, Inc. v. General Cinema Corp.*, 834 F.2d 208, the plaintiff had told a state court that it did not intend to pursue a state antitrust claim, but then sought to avoid mootness of its appeal from a federal dismissal of a removed earlier action by stating a month later that it would prosecute such a claim if all of its other claims failed in light of problems that had come to its attention in the interim. The First Circuit acknowledged that this case "is different from the 'classic' case of judicial estoppel," *id.* at 214, but held that the statement to the state court justified dismissal of the appeal. In *Oneida Motor Freight, Inc. v. United Jersey Bank*, 848 F.2d 414 (3d Cir.), *cert. denied*, 488 U.S. 967 (1988), the plaintiff had failed to assert a claim during bankruptcy proceedings despite its opportunity to do so. After the plaintiff was discharged from bankruptcy, it initiated suit against a bank which had been a creditor in the prior bankruptcy proceeding. The Third Circuit, over a vigorous dissent, invoked judicial estoppel to bar the claim. Focusing on generalized interests of finality and disclosure in Chapter 11 bankruptcy proceedings, the Third Circuit majority found that judicial estoppel was appropriate because the current suit exposed a position which was "clearly contrary to [plaintiff's] treatment of the bank's claim as undisputed." *Id.* at 419. The dissent argued that judicial estoppel was unjustified because no compulsory counterclaim rule required the plaintiff to assert its claim in the bankruptcy case, the plaintiff had "never represented that it would not press a claim against the bank," and thus the plaintiff "never assumed a position which its current actions repudiate." *Id.* at 423.

C. The Dismissal Of Izumi's Counterclaims Is Inconsistent With Rule 13 Of The Federal Rules Of Civil Procedure And With Decisions Of This Court Applying It.

As Senior Judge Friedman's dissent pointed out, it should be an elementary proposition that a counterclaim can be brought in a second action if it was not compulsory in the prior action within the meaning of Rule 13(a) —that is, unless it "ar[ose] out of the transaction or occurrence that [was] the subject matter of the opposing party's claim" in the prior action. While the District Court made such a determination, the dissent readily concluded that it was erroneous and the majority chose to avoid any analysis of the Rule 13 criteria. In practical effect, however, the majority has established a whole new basis for treating a claim as if it were a compulsory counterclaim. In so doing, its decision flies in the face of the regime defined by this Court (with the approval of Congress) in adopting the Federal Rules of Civil Procedure.

Apart from the jurisprudential impropriety of engrafting requirements additional to those specified in Rule 13(a), the Court of Appeals' approach undermines the Federal Rules' intent to provide simple and clear rules of pleading, by making the question whether or not a party's answer should have included a counterclaim depend upon subsequent developments in the course of the litigation, up to and including determination of the format of the trial. This Court should exercise its supervisory power to prevent such distortion of the letter and spirit of the Rules.

Rule 13 focuses on the relationship between the claim alleged in the plaintiff's complaint and the defendant's potential counterclaim. The only issues raised by Philips' complaint against Izumi in Florida were whether the cutter blade-spacing ('301) patent was infringed, whether the '301 patent was valid and the amount, if any, of resulting damages to Philips. Izumi's antitrust claims allege

sham litigation in Japan, foreclosure of the Schick tradename and predatory pricing. Plainly, these were separate transactions and occurrences which Rule 13(b) permitted to be the subject of permissive counterclaims at a later time. The District Court's Rule 13(a) theory was based on the immaterial notion that these claims were "logically related" because both involved factors contributing to Philips' large market share. (App. A, 31a). Such an approach would, however, make virtually all antitrust and patent infringement claims compulsory to each other, because both types of claims will invariably focus on aspects of the parties' relative competitive positions. It would improperly require any patent defendant to assert immediately any antitrust claim it might potentially have thereby multiplying the complexity of already complex litigation.

In *Mercoid Corp. v. Mid-Continent Investment Co.*, 320 U.S. 661, 671 (1944), this Court held the opposite—that antitrust claims are never compulsory to a suit for patent infringement and therefore are not barred when asserted in a later action. Izumi is in a much stronger position than the *Mercoid* plaintiff, whose entire antitrust claim was based on the patentee's alleged misuse of the patent, which is not the main focus of the antitrust claims here. Whatever may be the continuing vitality of *Mercoid* on its facts, the flat contradiction of its holding in the District Court's ruling would raise important issues warranting plenary review if that had been the basis for the Court of Appeals' decision.

Barring Izumi's antitrust claims under Rule 13(a) would, moreover, conflict with *Southern Construction Co. v. Pickard*, 371 U.S. 57 (1962), which held that if a counterclaim is compulsory in two pending actions, the defendant may file it in either the first or the second action at its choice; under these circumstances assertion of the counterclaim in the later action "by no means involved the circuity of action that Rule 13(a) was

aimed at preventing." *Id.* at 60-61. If Izumi's antitrust claims were construed to be compulsory counterclaims, Izumi would be in exactly the same position as the *Southern Construction* defendant, because Philips brought substantially identical claims of inducing infringement of the same '301 patent in each case, and both cases were pending at the time when Izumi filed its antitrust counterclaims in Illinois.[15]

CONCLUSION

For the foregoing reasons, this petition for a writ of certiorari should be granted.

Respectfully submitted,

GARY M. HOFFMAN
(Counsel of Record)
CHARLES W. SABER
GABRIELLE S. ROTH
DICKSTEIN, SHAPIRO
& MORIN, L.L.P.
2101 L Street, N.W.
Washington, D.C. 20037
(202) 785-9700
Attorneys for Petitioner
Izumi Seimitsu Kogyo
Kabushiki Kaisha

Of Counsel:
JAMES VANR. SPRINGER
DICKSTEIN, SHAPIRO
& MORIN, L.L.P.

WILLIAM L. ANDROLIA
KODA & ANDROLIA
1880 Century Park East
Los Angeles, California 90067
(310) 277-1391

September 1995

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[15] The Court of Appeals attempted to distinguish *Southern Construction* on the ground that it did not permit the defendant to litigate its counterclaim in both forums. (App. A, 6a). This attempted distinction, like that of *Mercoid (id.)*, rests on the unfounded premise that somehow Izumi did litigate its antitrust claims in Florida. It was only the separate codefendant Windmere that did so.

APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

93-1188

U.S. PHILIPS CORPORATION,
Plaintiff/Counterdefendant-Appellee,

and

NORTH AMERICAN PHILIPS CORPORATION and
N.V. PHILIPS GLOEILAMPENFABRIEKEN,
Counterdefendants-Appellees,

v.

SEARS ROEBUCK & CO.,
Defendant/Counterclaimant-Appellant,

and

IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA,
Defendant/Counterplaintiff/Appellant.

DECIDED: May 10, 1995

Before NEWMAN, *Circuit Judge,* FRIEDMAN, *Senior Circuit Judge,* and MAYER, *Circuit Judge.*

Opinion for the court filed by Judge NEWMAN. Dissenting opinion as to Part I filed by Senior Judge FRIEDMAN.

NEWMAN, *Circuit Judge.*

We answer two questions certified for interlocutory appeal by the United States District Court for the Northern District of Illinois, in the course of litigation involving U.S. Philips Corporation, North American Philips Corporation, and N.V. Philips Gloeilampenfabrieken (together "Philips"); Sears, Roebuck & Company; and Izumi Seimitsu Kogyo Kabushiki Kaisha ("Izumi").[1] These questions are directed to various issues of estoppel, and also concern the vacatur by the Federal Circuit of a district court decision in related litigation. We affirm the rulings here certified.

BACKGROUND

The related litigation started in 1984 in the United States District Court for the Southern District of Florida. The parties were Philips, the Windmere Corporation, and Izumi. Philips complained of patent infringement and unfair competition, and Izumi and Windmere raised defenses and counterclaims of patent misuse and antitrust violations. The Florida case was tried in 1986 as to all issues, Windmere and Izumi successfully arguing that it was incorrect and inefficient to separate the patent aspects from the antitrust and misuse counterclaims. The decision was appealed to the Federal Circuit. In accordance with this court's decision, *U.S. Philips Corp. v. Windmere Corp.*, 861 F.2d 695, 8 USPQ2d 1885 (Fed. Cir. 1988), *cert. denied*, 490 U.S. 1068 (1989), and the Florida district court's order, the antitrust counterclaims and the unfair competition count were retried in Florida in 1990.

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[1] *U.S. Philips Corp. v. Sears Roebuck & Co.*, No. 85-C-5366 (N.D. Ill. December 1, 1987 (opinion), December 22, 1987 (recons. denied), May 19, 1989 (recons. denied with opinion), May 17, 1990 (recons. denied), October 13, 1992 (summary judgment entered on October 5, 1990 vacated and recons. denied with opinion), and November 6, 1992 (order certifying questions for immediate appeal)).

Philips and Windmere, but not Izumi, were parties to the retrial, which was decided in favor of Windmere. Philips appealed to the Federal Circuit. While the appeal was pending, Philips and Windmere reached a settlement. On their joint motion the Federal Circuit dismissed the appeal and vacated the Florida district court's judgment. *U.S. Philips Corp. v. Windmere Corp.*, 971 F.2d 728, 23 USPQ2d 1709 (Fed. Cir. 1992). The Federal Circuit denied Izumi's petition to intervene, on the ground that Izumi did not have standing to protest the vacatur of a decision to which Izumi was not a party. *Id.* at 730-31, 23 USPQ2d at 1710-11. The Supreme Court dismissed Izumi's petition for certiorari, *Izumi Seimitsu Kogyo Kabushiki Kaisha v. U.S. Philips Corp.*, 114 S. Ct. 425 (1993), holding that Izumi did not have standing to seek review of the question of vacatur since Izumi was not a party.

Meanwhile, in June 1985 Philips had filed suit against Sears, Roebuck & Co. and Izumi in the United States District Court for the Northern District of Illinois, asserting substantially the same patent infringement and unfair competition claims that were asserted in the suit Philips filed in 1984 in Florida against Windmere and Izumi. The patent was the same in the Illinois and the Florida cases, plus a design patent in the Illinois action. The accused product was the same Izumi-manufactured rotary shaver, which was sold by Windmere under the "Ronson" trademark and by Sears, Roebuck under the "Sears" trademark. In the Illinois action Izumi pled several antitrust counterclaims on the same grounds as were pled by Windmere in Florida; that is, that Philips violated the antitrust laws in its competition with Windmere, and that the litigation against Windmere and Izumi in Florida, and against Izumi in Japan, was sham.

The Florida case was tried in 1986 as to all issues. In 1987 the Illinois district court dismissed Izumi's antitrust counterclaims, holding that these counterclaims were

mature at the time of the Florida litigation to which Izumi was a party, were litigated therein, and were compulsory to Izumi in the Florida action. After the Federal Ciricuit in 1988 required retrial of the antitrust counterclaims in Florida, the Illinois district court instructed Izumi, who had requested reconsideration of the dismissal, to include its antitrust counterclaims in the retrial. The Illinois court stated that Izumi "should direct its request to the Florida District Court where the retrial of the original cause is scheduled." *U.S. Philips Corp. v. Sears Roebuck & Co.*, No. 85 C 5366, slip op. at 3 (N.D. Ill. May 19, 1989). Izumi did not direct a request to the Florida district court, despite this instruction. Thus Izumi was not a party to the 1990 retrial of the antitrust counterclaims in Florida, although Izumi reportedly continued as indemnitor to Windmere, *Philips v. Windmere*, 971 F.2d at 730, 23 USPQ2d at 1710, and Izumi's president testified concerning the unfair competition and antitrust claims. Declaration of William Androlla, counsel to Izumi, of record in *U.S. Philips Corp. v. Windmere Corp.*, 971 F.2d 728, 23 USPQ2d 1709 (Fed. Cir. 1992).

I

THE ANTITRUST COUNTERCLAIMS

Izumi now seeks to try, in the Illinois action, the same antitrust counterclaims that were tried in the Florida action, stating that it has the right to do so. The Illinois court did not agree, and entered an interlocutory order pursuant to 28 U.S.C. § 1292(b). The first question is as follows:

> 1. [W]hether Izumi is barred from pursuing such antitrust counterclaims on the basis that such counterclaims were compulsory counterclaims in a previously filed action of *U.S. Philips Company et al. v. Windmere Corp. et al.* which could not be asserted in this action, and whether Izumi has standing to raise these particular antitrust counterclaims.

A

The antitrust counterclaims pled by Izumi in the Illinois suit include the same antitrust issues that were pled and fully litigated in the Florida action to which Izumi and Windmere were parties until the retrial. In both the Illinois and the Florida actions the principal antitrust claims were (1) predatory pricing by Philips in competition with Windmere, (2) Philips' purchase of the Schick trademark in 1981, whereby it was not available to Windmere, and (3) sham patent litigation by Philips in Florida and in Japan.

It is not controverted that all of these antitrust counterclaims were "ripe" throughout the period of the Florida action, for they were the same claims being litigated in that action. The Illinois court at least twice directed Izumi to participate in the Florida antitrust litigation. Izumi refrained from doing so, despite the reiterated directive from the Illinois court when the antitrust issues were to be retried in Florida. Thus the Illinois court held that these counterclaims were compulsory to Izumi in Florida.

Izumi argues that its antitrust counterclaims were not "compulsory" in terms of Fed. R. Civ. P. 13(a),[2] and therefore that it has the absolute right to choose when and where to litigate them. In this case, however, the

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[2] Rule 13(a) provides in part:

> A pleading shall state as a counterclaim any claim which at the time of serving the pleading the pleader has against any opposing party, if it arises out of the transaction or occurrence that is the subject matter of the opposing party's claim and does not require for its adjudication the presence of third parties of whom the court cannot acquire jurisdiction.

The purpose of Rule 13(a) is "to prevent multiplicity of actions and to achieve resolution in a single lawsuit of all disputes arising out of common matters". *Warshawsky & Co. v. Arcata Nat'l Corp.*, 552 F.2d 1257, 1261 (7th Cir. 1977); 6 Charles A. Wright et al., *Federal Practice and Procedure* § 1409, at 46 (2d ed. 1990).

issue is not simply whether Izumi's antitrust counterclaims were "compulsory" in the technical definition of this term, but whether they were required to be brought by Izumi on the particular facts of this case, wherein they were already being fully litigated in a suit to which Izumi was present as a party, then as a witness, and as indemnitor. It is not irrelevant that the Illinois district court instructed Izumi to participate in the litigation, and then the relitigation, of these counterclaims. Under these circumstances, we think that Izumi's interest in these counterclaims was indeed required to be raised by Izumi in the Florida action in which the counterclaims were already being litigated. Izumi does not have the absolute right to relitigate the same claims in Illinois, having voluntarily removed itself from the Florida litigation of these claims, and having declined to comply with the Illinois court's admonition to seek to reenter that litigation. This is particularly compelling because Izumi's antitrust counterclaims are based primarily on Philips' behavior in competition with Windmere, the precise subject of the Florida action.

In the Florida litigation Izumi and Windmere had successfully opposed Philips' attempt to sever the antitrust counterclaims from the patent issue. Izumi and Windmere, represented by the same counsel, argued to the Florida court that:

> [Severance of patent infringement] would cause a waste of judicial time and impose an undue burden on Defendants in having to duplicate proof and witnesses at those trials, and require the impaneling of two juries. Defendants' Counterclaims, both as to misuse and antitrust violations to a significant degree encompass Plaintiffs' acquisition and use of the patent in suit and false assertion of alleged common law trademark rights as part of Plaintiffs' efforts to restrain legitimate competition and monopolize the relevant market. . . . By necessity Defendants' wit-

> nesses and proof on these issues are pertinent to all claims and would be duplicitous in both trials.

Defendants' Memorandum in Opposition to Plaintiff's Motion to Sever Counterclaims, at 6-7, *U.S. Philips Corp. v. Windmere Corp.*, 680 F. Supp. 361 (S.D. Fla. 1987). Windmere and Izumi prevailed on the motion, and the patent and antitrust issues were fully tried in the same trial.

To support its position that it is entitled to bring its counterclaims in a second forum, Izumi places weight on *Southern Construction Co. v. Pickard*, 371 U.S. 57, 60-61 (1962), wherein the Court held that a compulsory counterclaim could be litigated in either of two pending actions that under the Miller Act were required to be brought in different jurisdictions. *Southern Construction* indeed permitted a choice of either forum; but it did not permit a choice of both forums. *Southern Construction* weighs against Izumi's attempt to relitigate in Illinois the claims that were fully litigated in the Florida action to which Izumi was a party, witness, and indemnitor.

Izumi also cites *Mercoid Corp. v. Mid-Continent Investment Co.*, 320 U.S. 661, 671 (1944), wherein the Court held that an antitrust defense could be asserted in a later action, if not raised by a related defendant in the first infringement action. However, *Mercoid* did not hold that the same antitrust claim could be fully litigated a second time, if it were raised and litigated by a related party in the first action.

Izumi does not dispute that its antitrust counterclaims are substantially the same as those that were litigated in Florida. On this basis, and in view of the Illinois district court's admonitions to Izumi, we discern no error in the district court's holding that Izumi could not, in these circumstances, retry the same antitrust counterclaims in Illinois.

Izumi and Windmere successfully obtained the litigation of the antitrust counterclaims together with the patent

claim in Florida, by arguing that severance would be "a waste of judicial time" and an "undue burden on Defendants." *See supra.* This argument, and the ensuing full litigation of the antitrust counterclaims in Florida, create a form of "judicial estoppel" against Izumi's position that it now has the absolute right to relitigate the same claims against the same party. Judicial estoppel is an equitable principle that holds a party to a position on which it prevailed, as against later litigation arising from the same events. *Eagle Foundation, Inc. v. Dole,* 813 F.2d 798, 810 (7th Cir. 1987).[3] *See Davis v. Wakelee,* 156 U.S. 680, 689 (1895) ("Where a party assumes a certain position in a legal proceeding, and succeeds in maintaining that position, he may not thereafter, simply because his interests have changed, assume a contrary position.")

The doctrine of judicial estoppel is directed to the preservation of the integrity of judicial proceedings by protecting against litigants who " 'play fast and loose with the courts.' " *In re Cassidy,* 892 F.2d 637, 641 (7th Cir.), *cert. denied,* 498 U.S. 812 (1990) (quoting *Scarano v. Central R. Co.,* 203 F.2d 510, 513 (3d Cir. 1953)). *See Levinson v. United States,* 969 F.2d 260, 264 (7th Cir.), *cert. denied,* 113 S. Ct. 505 (1992). The Seventh Circuit has held that judicial estoppel may lie when "[e]ven though [the party] did not prevail on the appeal as a whole, he did prevail on the subsidiary question of what issues were to be decided by the court." *Cassidy,* 892 F.2d at 641.

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[3] In applying judicial estoppel we look to the law of the Seventh Circuit, for the issue is not unique to patent cases. *Allen Organ Co. v. Kimball Int'l, Inc.,* 839 F.2d 1556, 5 USPQ2d 1769 (Fed. Cir.) (in matters not unique to patent law the Federal Circuit applies the perceived law of the circuit in which the case was tried), *cert. denied,* 488 U.S. 850 (1988). *See Water Technologies Corp. v. Calco, Ltd.,* 850 F.2d 660, 665-66 & nn. 3, 4, 7 USPQ2d 1097, 1101 & nn. 3, 4 (Fed. Cir. 1988) (applying Seventh Circuit law of judicial estoppel).

We conclude that the criteria of judicial estoppel, as defined by the Seventh Circuit, were met. Izumi took the position that the antitrust counterclaims were compulsory in the Florida litigation, or at least that they should not be severed because the witnesses and proof would be duplicated. The Florida court adopted this position, and the claims were fully litigated in Florida. Izumi's present position that it had the right not to participate in the retrial of the issues that it insisted should be tried together, and can now require a duplicate trial of the identical issues, leaves us with the firm impression that Izumi has "played fast and loose with the courts." Although the Illinois court did not mention this ground, we think that judicial estoppel provides a sound rationale for affirmance of the district court's decision. *See Cassidy,* 892 F.2d at 641 (Because the doctrine of judicial estoppel "is intended to protect the courts rather than the litigants," it is proper for the appellate court to raise the estoppel "in an appropriate case.") Appellate review of the interlocutory order is not confined to the precise questions certified by the district court. "[A]ll questions material to the order are properly before the court of appeals." *Nuclear Engineering Co. v. Scott,* 660 F.2d 241, 246 (7th Cir. 1981), *cert. denied,* 455 U.S. 993 (1982). *See United States v. Connolly,* 716 F.2d 882, 885 (Fed. Cir. 1983) ("[T]he nature and scope of our review are not limited to the certified question, but . . . we are free to consider all questions material to the trial court's order sustaining its jurisdiction."), *cert. denied,* 465 U.S. 1065 (1984).

B

Izumi also argues that it raised additional antitrust issues in Illinois, beyond those litigated in Florida. These additional issues are described as relating to the charge that Philips' litigation was "sham." Windmere and Izumi had alleged in Florida that Philips' patent infringement suit was sham, and also that Philips had improperly sued Izumi in Japan.

The charge that Philips' patent infringement suit in Florida was sham can not be deemed to have substance, for Philips prevailed in Florida on that issue. "A winning lawsuit is by definition a reasonable effort at petitioning for redress and therefore not a sham." *Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, 113 S. Ct. 1920, 1928 n.5 (1993). Further, the place to challenge litigation as sham is in the asserted sham litigation, to which Izumi was a party.

Izumi also presses the claim that Philips filed sham patent litigation in Japan in 1978. No substantive support for this assertion is before us, and no argument is offered that this is a different issue from that raised in the Florida action. We discern no error in the district court's holding that all of the antitrust counterclaims were barred.

II

STANDING

The district court also certified the sub-issue of whether Izumi has "standing" to raise these antitrust counterclaims. The district court made no decision on this issue. In view of our affirmance of the district court's action, and the silence of the district court on this issue, we need not and do not reach this question.

III

UNFAIR COMPETITION

Judgment in the Florida litigation was entered in favor of Windmere and against Philips on the unfair competition count. After the Federal Circuit vacated the Florida judgment, *Philips v. Windmere*, 971 F.2d 728, 23 USPQ 2d 1709, the Illinois district court reinstated Philips' unfair competition count against Sears, ruling that the vacated Florida judgment did not have collateral estoppel effect. This led to the second certified question:

2. [W]hether under the law of the 7th Circuit, plaintiff N.A. Philips can be barred under collateral estoppel from again retrying the issue of trade dress infringement in view of the findings of the jury and the judgment of the Court in *U.S. Philips Company et al. v. Windmere Corp. et al.*, where the final judgment of the Court was vacated predicated upon a settlement reached between Philips and Windmere.

A

Sears argues that this court's vacatur of the Florida judgment was improper and should be reconsidered. However, the question of vacatur was finally decided, and is not subject to further review or collateral attack. Although Sears suggests that this vacatur was contrary to the Supreme Court's decision in *U.S. Bancorp Mortgage Co. v. Bonner Mall Partnership,* 115 S. Ct. 386, 393 (November 8, 1994) (holding that vacatur by an appellate court, absent extraordinary circumstances, is not justified by mootness due to settlement), that holding does not impair the binding effect of this earlier decision. A final judgment is not voided if the precedent upon which it was based is later modified or overruled. *Federated Department Stores, Inc. v. Moitie,* 452 U.S. 394, 398 (1981). Thus it is unnecessary to decide whether, as Philips suggests, there were indeed extraordinary circumstances that justified vacatur in this case.

B

Sears also argues that even if the Florida judgment were properly vacated, the Seventh Circuit would give the vacated judgment collateral estoppel effect. Collateral estoppel bars the relitigation of factual issues that were fully and fairly litigated and were the basis of final judgment in an action to which the person against whom the estoppel is sought was a party; there need not have been privity

with the party now invoking the estoppel. *Blonder-Tongue Labs., Inc. v. University of Illinois Found.*, 402 U.S. 313, 332-33, 169 USPQ 513, 521 (1971); *Commissioner v. Sunnen*, 333 U.S. 591, 599-601 (1948).

The district court did not agree, and indeed we do not think that Sears has accurately described the precedent of the Seventh Circuit. In *Pontarelli Limousine, Inc. v. City of Chicago*, 929 F.2d 339, 340-41 (7th Cir. 1991) the Seventh Circuit held that a state court judgment that had been vacated pursuant to a settlement agreement did not preclude relitigating the issue in federal court, and added that this ruling embraced vacated federal as well as state judgments:

> [The question on appeal] is whether the district judge erred in refusing to give the judgment in *Chicago Courtesy* collateral estoppel effect in this case . . . . He did not err. A vacated judgment has no collateral estoppel or res judicata effect under Illinois law, *Mattchett v. Rose*, 36 Ill. App. 3d 638, 649, 344 N.E.2d 770, 779 (1976) (or any other law, *No East-West Highway Committee, Inc. v. Chandler*, 767 F.2d 21, 24 (1st Cir. 1985)).

Pontarelli, 929 F.2d at 340. In *No East-West Highway* the court stated that a vacated judgment "has no preclusive force either as a matter of collateral or direct estoppel or as a matter of the law of the case." 767 F.2d at 24.

The Seventh Circuit in *Pontarelli* distinguished its earlier decision in *In re Memorial Hospital of Iowa County, Inc.*, 862 F.2d 1299 (7th Cir. 1988) (refusing to vacate a judgment), and stated that if the court in *Memorial Hospital* had vacated the judgment "it could not have been used in future litigation." *Pontarelli*, 929 F.2d at 340. Thus we discern no error in the district court's rul-

ing that the vacated Florida judgment has no collateral estoppel effect.[4] That judgment is affirmed.

AFFIRMED

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[4] Philips also argued that the unfair competition issues raised against Sears are matters of Illinois law, and that the issues and burdens with respect to trade dress law are different in Illinois and in Florida. We express no view on the substantive correctness of this position, but take note that collateral estoppel can not lie when the issues or applicable law differ. *Sunnen*, 333 U.S. at 599-601.

FRIEDMAN, *Senior Circuit Judge,* dissenting in part.

I agree with and join part III of the court's opinion, which affirms the district court's reinstatement of N.A. Philips' unfair competition claim, and part II, which declines to reach the question whether Izumi has standing to raise the antitrust issues. I disagree, however, with the court's affirmance of the district court's dismissal of Izumi's antitrust counterclaim.

1. Rule 13 of the Federal Rules of Civil Procedure sets forth the standards governing counterclaims. Rule 13(a), captioned "Compulsory Counterclaims," provides that a claim "that arises out of the transaction or occurrence that is the subject matter" of the plaintiff's claim "shall" be filed in the litigation as a counterclaim. Rule 13(b), captioned "Permissive Counterclaims," permits the assertion in a counterclaim of "any claims against an opposing party not arising out of a transaction or occurrence that is the subject matter of the opposing party's claim." Failure to assert a compulsory counterclaim at the proper time bars the assertion of its claims in a subsequent suit. *Martino v. McDonald's System, Inc.,* 598 F.2d 1079, 1083 (7th Cir.), *cert. denied,* 444 U.S. 966 (1979); *Employers Ins. of Wausau v. United States,* 764 F.2d 1572, 1576 (Fed. Cir. 1985). The corollary is that if the counterclaim is permissive, failure to assert its claims in the prior proceeding does not bar their assertion in the subsequent one. *Rudell v. Comprehensive Accounting Corp.,* 802 F.2d 926, 928 (7th Cir. 1986) *cert. denied,* 480 U.S. 907 (1987).

Congress thus has provided, as the touchstone for determining whether a counterclaim is compulsory or permissive, whether the claim it asserts "arises out" of the transaction or occurrence that is the subject matter of the claim in the complaint. Unless it so arises, the failure to file a counterclaim in the first suit does not bar the litigation of the claim in the second suit.

2. The sole ground upon which the district court dismissed the counterclaim was that it was a compulsory one, which Izumi was required to assert in the Florida case, and that Izumi's failure to do so barred it from asserting the counterclaim issues in the Illinois case. That was the question the district court certified for interlocutory review.

This court, however, does not answer that question. Instead, it affirms the district court on the alternative ground that the doctrine of judicial estoppel bars Izumi from now litigating those claims in the Illinois case because (1) the antitrust claims are the same ones that Windmere fully litigated in the Florida case, in which Izumi initially was a party, (2) Izumi could have litigated those claims there, and (3) the Illinois court twice told Izumi to do so. The court stresses that before the first trial in the Florida court, Izumi and Windmere jointly opposed severance of the antitrust and patent claims on the ground that severance "would cause a waste of judicial time and impose an undue burden on Defendants. . . ."

The practical effect of the judicial-estoppel principle the court applies in affirming the district court's dismissal of Izumi's counterclaim is to treat the counterclaims as a compulsory one. The dismissal is upheld solely because Izumi should have litigated its counterclaim in the Florida case. Such dismissal is the consequence that follows the determination that a counterclaim not filed in the earlier case was compulsory.

The court reaches that result, however, without making any determination whether the counterclaims arose out of the same transaction or occurrence that was the subject of Philips' patent infringement suit in the Florida court against Windmere and Izumi. For all practical purposes, this means that the counterclaim is treated as compulsory without making the inquiry that Rule 13 prescribes as the basis for determining that question.

The court cites no case that directly supports its holding, which would allow a district court to dismiss a counterclaim because of failure to litigate it in a prior proceeding without first determining whether the counterclaim is permissive or compulsory. If Izumi's counterclaim is permissive—as I think it is—Rule 13 teaches that the claimant may litigate the counterclaim despite its failure to assert or litigate the claim in a prior case in which it could have done so.

The court's reliance on Izumi's prior assertion that trying the antitrust counterclaim separately "would cause a waste of judicial time and impose an undue burden on Defendants in having to duplicate proof and witnesses" ignores the fact that the Seventh Circuit has treated as permissive a counterclaim that "as a linguistic matter . . . might arguably have been said to come out of the same transaction" as a claim litigated in an earlier suit, *Colonial Penn Life Ins. v. Hallmark Ins.*, 31 F.3d 445, 448 (7th Cir. 1994), even though the trial of the counterclaim in the second case would likely result in duplication of witnesses, testimony, and other evidence. *See also Burlington Northern Railroad Co. v. Strong*, 907 F.2d 707 (7th Cir. 1990); *Gilldorn Sav. Ass'n v. Commerce Sav. Ass'n*, 804 F.2d 390 (7th Cir. 1986).

3. But even if a district court has the authority to dismiss a counterclaim in the circumstances of this case without determining whether it is permissive or compulsory, this is not an appropriate alternative ground for affirming the district court's judgment of dismissal.

The decision whether to dismiss on the ground that the court relies on requires the exercise of discretion by the district court. That, therefore, is a decision that the district court and not this court should make in the first instance. Where a district court abstains from deciding a case within its jurisdiction because of the pendency of a state court proceeding involving the same issue and the appellate court determines that the legal requirements for

abstention have been made, the district court's decision to abstain is reviewed under an abuse-of-discretion standard. *O'Neill v. City of Philadelphia*, 32 F.3d 785, 790 (3d Cir. 1994) (" 'We exercise plenary review over the legal determinations of whether the requirements for abstention have been met. Once we determine that the requirements have been met, we review a district court's decision to abstain under *Younger* abstention principles for abuse of discretion.' "); *Kollsman v. Los Angeles*, 737 F.2d 830, 833 (9th Cir. 1984) *cert. denied*, 469 U.S. 1211 (1985) (same). The same principle appears equally applicable to the ground on which the court affirms the district court's dismissal of the counterclaim here involved.

By determining that the district court properly dismissed the counterclaim on this ground, this court has precluded the district court from exercising its discretion in deciding the question. The district court here dismissed because it concluded that the counterclaim was compulsory, which meant that it had no choice but to dismiss. It cannot be said with certainty, however, that if the district court had determined that the counterclaim was permissive, it would have exercised its discretion in favor of dismissal.

In sum, the principle that an appellate court may affirm the judgment of a district court on any ground the record supports, even though that was not the basis of the district court's decision, cannot properly be applied where, as here, the alternative ground of affirmance involves the exercise of discretion that the district court has not undertaken.

That conclusion is underscored here because the court is reviewing an interlocutory order, which the district court certified for immediate appeal under 28 U.S.C. § 1292(b) because of its determination that its order dismissing Izumi's counterclaim

> involve questions of law as to which there are substantial grounds for differences of opinion and an immediate appeal from such Order may materially

> advance the ultimate termination of the present litigation. The specific issues are whether Izumi is barred from pursuing such counterclaims on the basis that such counterclaims were compulsory counterclaims in a previously filed action of *U.S. Philips Company et al.* v. *Windmere Corp., et al.*, which could not be asserted in this action.

That, presumably, was the question the court understood it would decide when it authorized the appeal pursuant to that section. Although a court of appeals that authorizes such an appeal is not limited to deciding the certified question, *Calhoun v. Yamaha Motor Corp.*, 40 F.3d 622, 626 (3d Cir. 1994), *pet. for cert. filed,* (Feb. 17, 1995), affirmance of the district court order on another ground is inappropriate unless the other ground unequivocally requires affirmance. Because of the discretionary nature of the court's alternative-affirmance ground, this is not such a case.

4. I would, therefore, decide the certified question, hold that under Seventh Circuit law Izumi's counterclaim is permissive, not compulsory and reverse the district court's order insofar as it dismissed the counterclaim. Since the court does not address that issue, however, I do not discuss it.

APPENDIX B

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

No. 85 C 5366

U.S. PHILIPS CORPORATION,
Plaintiff,
v.

SEARS, ROEBUCK AND CO. and
IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA,
Defendants,
-and-

IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA,
Counterplaintiff,
v.

U.S. PHILIPS CORPORATION,
NORTH AMERICAN PHILIPS CORPORATION,
and N.V. PHILIPS' GLOEILAMPENFABRIEKEN,
Counterdefendant and
Third-Party Defendants.

MEMORANDUM OPINION

CHARLES P. KOCORAS, District Judge:

Plaintiff/counterdefendant U.S. Philips Corporation ("U.S. Philips") and third-party defendants North American Philips Corporation ("N.A. Philips") and N.V. Philips Gloeilampenfabrieken ("N.V. Philips")[1] have moved to dismiss or for partial summary judgment on the

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[1] U.S. Philips, N.A. Philips, and N.V. Philips are hereinafter referred to collectively as "the Philips corporations."

claims against them. For the following reasons, the motion is granted.

FACTS

Only two entities in the free world manufacture rotary electric razors—Izumi Seimitsu Kogyo Kabushiki Kaisha ("Izumi"), and N.V. Philips. Izumi is a Japanese corporation which sells its razors to Windmere Corporation and Sears, Roebuck & Company for resale in the United States. Windmere sells the razors under the "Ronson" trade name, and Sears sells the razors under its own name. N.V. Philips is a Netherlands corporation which sells its razors in the United States through N.A. Philips under the trade name "Norelco." Since December 1981, N.A. Philips has also owned the "Schick" trade name, although it apparently does not sell electric razors under that name at the present time. N.V. Philips also indirectly owns or controls U.S. Philips, a Delaware corporation which holds intellectual property rights including United States Patents Nos. 4,227,301 ("the '301 patent") and D259,592, the utility and design patents at issue in this case.

U.S. Philips filed this action on June 6, 1985, alleging that Sears infringed and Izumi induced the infringement of these two patents. Izumi then filed a counterclaim and third-party complaint, alleging violations of Sections 1 and 2 of the Sherman Act and Section 7 of the Clayton Act, as well as state law claims for abuse of process and tortious interference with prospective business relations.[2] Izumi alleges that prior to 1977, N.V. Philips manufactured and N.A. Philips sold virtually every rotary shaver in the United States. In 1977, Izumi entered the United States market by selling its rotary shavers to Sears for resale under the Sears name. In response, the Philips corporations allegedly attempted to drive Izumi out of the

[2] Izumi also seeks a declaratory judgment that the two patents at issue in this case are invalid and not infringed. The Philips corporations' motions do not address the declaratory judgment counterclaim.

market by filing sham litigation against Izumi in Japan, Izumi and Windmere in Florida, and Izumi and Sears here; engaging in price discrimination; acquiring the "Schick" trade name in 1980; pricing predatorily; interfering with advertising of Izumi Products; and making false representations and disparaging remarks.

The Philips corporations have moved to dismiss and/or for partial summary judgment on these claims, arguing that (1) the claims are barred by res judicata; (2) Izumi lacks standing to assert the antitrust claims; (3) the state law claims must be dismissed for lack of pendent jurisdiction; (4) the abuse of process claim is barred by collateral estoppel and must be dismissed under forum non conveniens; and, (5) the allegation of tortious interference with prospective business relations fails to state a claim upon which relief can be granted. For purposes of this motion, it is necessary to address only the first and third arguments.

Res Judicata

The Philips corporations contend that res judicata bars Izumi's claims because of Izumi's role in a prior action in the United States District Court for the Southern District of Florida. In October 1984, U.S. Philips and N.A. Philips filed suit against Windmere and Izumi charging both defendants with infringement of the '301 patent and Windmere with unfair competition, based on Windmere's sale of Izumi rotary razors which allegedly copied the cutter design and appearance of Norelco razors. Although Izumi was only a party to the patent infringement claim, pursuant to an indemnification agreement between Izumi and Windmere it paid for the defense of the patent and unfair competition claims. In its answer to the patent claim, Izumi raised a "misuse" defense. The defense alleged that U.S. Philips and N.A. Philips, "in an attempt to extend the monopoly of the subject patent beyond that granted by the United States Patent and Trademark Office in a manner to stifle and restrain legitimate compe-

tition with respect to . . . three headed shavers in a market in the United States that currently bears little or no competition," committed patent misuse (a) by failing to deal with the Patent Office with full candor and in good faith during prosecution of the patent and (b) by obtaining the patent through intentionally misleading or grossly negligent statements.

Windmere raised a similar patent misuse defense, which contained the additional allegation that the plaintiffs were selectively enforcing the patent by suing Windmere and not Sears. Windmere also filed counterclaims against U.S. Philips and N.A. Philips and a third-party complaint against N.V. Philips, alleging violations of Sections 1 and 2 of the Sherman Act, Section 2 of the Robinson-Patman Act, Section 7 of the Clayton Act, the Antidumping Act of 1916, and interference with Windmere's contracts with television networks. Izumi argues in its brief that it did not participate, financially or otherwise, in the litigation of these claims, and that Windmere was represented by separate counsel on the antitrust claims. The joint counsel of Izumi and Windmere wrote and filed that counterclaim, however, and Izumi has presented no support for its contention.

At the close of discovery, the Florida court dismissed the patent misuse defenses and entered partial summary judgment in favor of the Philips corporations on Windmere's claim under the Antidumping Act of 1916 and in favor of N.V. Philips on Windmere's Clayton Act claim. The parties then went to trial on the patent infringement and unfair competition claims and the remaining counterclaims. At the close of Windmere's case in chief on the counterclaims, the court directed a verdict in favor of the Philips corporations on Windmere's claims under the Robinson-Patman Act, the Clayton Act, and Florida state law. At the close of the evidence, the court directed a verdict in favor of the Philips corporations on Windmere's remaining claims under Sections 1 and 2 of the Sherman

Act. The court entered judgment on the jury verdict in favor of plaintiffs on their patent infringement claim and in favor of Windmere on the unfair competition claims.

Under res judicata, a final judgment on the merits bars further claims by parties or their privies based on the same cause of action. *Montana v. United States*, 440 U.S. 147, 153 (1979). In determining the scope of a cause of action, the Seventh Circuit has utilized the "same transaction" test. *Car Carriers, Inc., v. Ford Motor Co.*, 789 F. 2d 589, 593 (7th Cir. 1986). Under this test, a "cause of action" consists of " 'a single core of operative facts' which give rise to a remedy." *Id.* (quoting *Alexander v. Chicago Park District*, 773 F.2d 850, 854 (7th Cir. 1985)).

> This "same transaction" test is decidedly fact-oriented. Once a transaction has caused injury, all claims arising from that transaction must be brought in one suit or be lost. Thus, "a mere change in the legal theory does not create a new cause of action." *Alexander*, 773 F.2d at 854.

Id. Therefore, prior litigation acts as a bar not only to those issues which were raised and decided in the earlier litigation but also to those issues which could have been raised in that litigation. *Id.* "The prior judgment is conclusive not only in respect of every matter which was actually offered and received to sustain the demand, but also as to every ground of recovery or defense which might have been presented." *Harper Plastics, Inc. v. Amoco Chemicals Corp.*, 657 F.2d 939, 945 (7th Cir. 1981). This application of the doctrine of res judicata operates to prevent the splitting of a single cause of action and the use of several grounds of recovery under the same action as the basis for separate suits. *Id.*

When facts form the basis of both a defense and a counterclaim, the defendant's failure to allege these facts

as a defense or a counterclaim does not necessarily preclude him from relying on those facts in an action subsequently brought by him against the plaintiff. *Martino v. McDonald's System, Inc.*, 598 F.2d 1079, 1084 (7th Cir. 1979) (citing Restatement (Second) of Judgments § 56.1 (1), Comment b (Tent. Draft No. 1, 1973)). The Seventh Circuit has stated, however, that this rule is not absolute and that "[b]oth precedent and policy require that res judicata bar a counterclaim when its prosecution would nullify rights established in the prior action." *Id.* at 1085.

The Philips corporations have raised three closely related arguments as to why res judicata bars Izumi's counterclaims. First, they contend that Izumi seeks to raise offensively as antitrust claims the exact same conduct it unsuccessfully raised as a defense in the Florida suit. Second, they argue that this conduct formed the basis of a compulsory counterclaim in the Florida action and by not raising it there, Izumi has lost its opportunity to do so. Third, the Philips corporations believe that Izumi is barred from relitigating Windemere's unsuccessful antitrust counterclaims.

As previously stated, the Florida complaint charged that Izumi was inducing infringement of the '301 patent. Izumi raised a misuse defense. Although the defense refers to "stifl[ing] and restrain[ing] legitimate competition with respect to . . . . three headed shavers in a market in the United States that currently bears little or no competition," it actually only challenges U.S. Philips' and N.A. Philips' conduct before the Patent Office during prosecution of the patent. Quite clearly, this defense did not, as the Philips corporations assert, put "the competitive purpose and effect of *all* [the Philips corporations] conduct" at issue defensively in the Florida suit. The core of operative facts which gave rise to the patent misuse defense in Florida was U.S. Philips and N.A. Philips' con-

duct during the prosecution of the '301 patent. Izumi's antitrust claim, alleging an unlawful acquisition of the Schick name, predatory pricing, discrimination, sham litigation, interference with advertising, and disparagement, are completely unrelated to the prosecution history of the '301 patent. Even the allegation that the Florida suit was a sham does not arise from the same transaction as does the allegation that the Philips corporations acted unfairly before the Patent Office. Furthermore, granting summary judgment for plaintiffs on Izumi's patent misuse defense did not establish any rights which might be nullified if the current antitrust counterclaim is allowed. Therefore, Izumi's misuse defense in the Florida action does not preclude the antitrust counterclaim in this action.

Second, the Philips corporations contend that Izumi's claims were compulsory counterclaims in the Florida suit and therefore cannot be raised here. Claims coming within the definition of compulsory counterclaims are lost if not raised at the proper time. *Martino v. McDonald's Systems, Inc.*, 598 F.2d 1079, 1083 (7th Cir. 1979). Federal Rule of Civil Procdure 13(a), which addresses compulsory counterclaims, provides in relevant part:

> A pleading shall state as a counterclaim any claim which at the time of serving the pleading the pleader has against any opposing party, if it arises out of the transaction or occurence that is the subject matter of the opposing party's claim and does not require for its adjudication the presence of third parties of whom the court cannot acquire jurisdiction.

28 U.S.C., Fed. Rules of Civ. Proc., Rule 13(a). A counterclaim arises out of the same transaction or occurrence when it is "logically related" to the opposing party's claim. *USM Corp. v. SPS Technologies, Inc.*, 102 F.R.D. 167, 170 (N.D. Ill. 1984).

> A logical relationship will be found to exist where separate trials on each of the respective claims

> would involve a substantial duplication of effort and time by the parties and the court. Relevant considerations include whether the claims involve: (1) many of the same factual isues; (2) the same factual and legal issues; or (3) are offshoots of the same basic controversy between the parties.

Id. In restating this rule the Seventh Circuit recently adopted the approach of section 24 of the *Restatement (Second) of Judgments* (1982): "Once a transaction has caused injury, all claims arising from that transaction must be brought in one suit or lost." *Matter of Energy Co-Op., Inc.*, 814 F.2d 1226, 1230-31 (7th Cir. 1987) (citations omitted). This rule reflects the expectation that parties who are given the *capacity* to present their "entire controversies" shall in fact do so. *Restatement (Second) of Judgments* § 24, comment (a) (1982).

Izumi argues that the Supreme Court, in *Mercoid Corp. v. Mid-Continent Investment Co.*, 320 U.S. 661 (1944), categorically exempted subsequent antitrust claims based on patent misuse from any res judicata prohibition. In *Mercoid*, the Court stated:

> Though Mercoid were barred in the present case for asserting any defense which might have been interposed in the earlier litigation [patent infringement], it would not follow that its [antitrust] counterclaim for damages [in later litigation] would likewise be barred. That claim for damages is more than a defense; it is a separate statutory cause of action. The fact that it might have been asserted as a counterclaim in the prior suit by reason of Rule 13(b) of the Rules of Civil Procedure, [permissive counterclaims], does not mean that the failure to do so renders the prior judgment res judicata as respects it.

Id., at 671. As Judge Bua noted in *USM Corp. v. SPS Technologies*, 102 F.R.D. 167, 169-70 (N.D. Ill. 1984), *Mercoid* has been overwhelmingly criticized by both courts

and commentators, and many courts have held that antitrust claims are compulsory counterclaims if they arise out of the same transaction or occurrence as the original claim. Following Judge Bua's well-reasoned approach in *USM*, this court likewise restricts the *Mercoid* holding to its facts and rejects Izumi's contention that the antitrust claim cannot be construed as a compulsory counterclaim under Rule 13(a). Analyzing Izumi's counterclaim in light of Rule 13(a), it is clear that Izumi was required to bring its antitrust counterclaim in the Florida proceeding.

Izumi's antitrust claims were mature at the time it served its answer and counterclaim in *Windmere*. No acts are alleged which occurred or became known to Izumi after the conclusion of the Florida suit. In fact, the counterclaim in this suit was filed while the Florida action was still pending. Among the bases of injury which Izumi now alleges are invalid patents owned by U.S. Philips, maintenance of the various Philips lawsuits (including *Windmere*), and predatory pricing and unfair advertising practices regarding the Izumi/Windmere shavers, all allegedly in furtherance of the Philips corporations' plan to eliminate competition from Izumi and Windmere. All of these claims were ripe at the time of the *Windmere* lawsuit, as evidenced by the fact that they were raised in Windmere's counterclaim. Additionally, the antitrust claims are logically related to the patent infringement claim. The basic controversy between Izumi and the Philips corporations is whether the large market share enjoyed by the Philips corporations is the result of lawful use of the '301 patent (Philips' claim) or an unlawful attempt to monopolize the rotary electric shaver market (Izumi's Counterclaim). Finally, there is no indication that adjudication of Izumi's claims required the presence of third parties over whom the Florida court had no jurisdiction. Thus, Izumi as a named defendant to the patent infringement claim, and the conceded "real party in interest" to the claim of unfair competition, had the capacity to present its entire controversy in the *Windmere* lawsuit.

It was, therefore, incumbent upon Izumi to do so or be forever barred.

Izumi, however, rather than independently prosecute its antitrust counterclaim in *Windmere*, chose to await the determination of Windmere's prosecution of virtually the same claims.[8] It is clear from the record that had Windmere prevailed on its antitrust counterclaims, Izumi would have reaped the direct benefits, since it is the only other manufacturer of rotary electric shavers in the free world. In this manner, Izumi apparently hoped for a "second bite at the apple" in case of Windmere's failure. This is precisely the type of activity which the compulsory counterclaim rule was enacted to prevent. The primary purpose of the rule is to reduce the costs of litigation, to the parties and to the courts, by forcing closely related claims to be combined in a single lawsuit. *See Grip-Pak, Inc. v. Illinois Tool Works, Inc.*, 694 F.2d 466 (7th Cir. 1982).

Izumi opines that it should not be "denied [its] day in court" by technical application of principles of res judicata. Although Rule 13(a) is admittedly harsh in that it forces parties to raise certain claims at the time and place chosen by their opponents, or to lose them, it represents a necessary balance between competing interests. *Martino, supra*, at 1082. "The convenience of the party with a compulsory counterclaim is sacrificed in the interest of judicial economy." *Id.*, at 1082 (citations omitted). Permitting Izumi to raise the very antitrust counterclaim which it had available to it, and indeed was required to raise, in the prior action would result in an impermissible splitting of the same basic controversy between the Florida suit and the one at bar, and an untenable waste of judicial resources. Therefore, finding no material facts in dispute, counterdefendants' motions for summary judgment are granted on all of Izumi's antitrust counterclaims.

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[8] The primary difference between Izumi's and Windmere's counterclaims is that Izumi alleges the existence of two relevant markets—sales and manufacturing. Windmere alleged only a sales market.

Pendent Jurisdiction

Izumi also asserts two claims arising under Illinois law, abuse of process and tortious interference with prospective business relations. To determine whether a federal court has the power to hear a pendent state law claim, three factors must be considered: (1) whether a substantial federal claim exists; (2) whether the state and federal claims derive from a common nucleus of operative fact; and (3) whether the claims are such that the plaintiff would be expected to try them all in a single judicial proceeding. *United Mine Workers v. Gibbs,* 383 U.S. 715 (1966). Although the second and third factors are plainly satisfied, the disposition of the federal claims destroys pendent jurisdiction over the remaining counterclaims. Thus, dismissal without prejudice to Izumi's right to assert those claims in a state court is in order.

In conclusion, the "patent misuse" defense which Izumi argued in the *Windmere* lawsuit did not put all of the Philips corporations' conduct affirmatively in issue. Therefore, the Florida court's dismissal of that defense does not bar Izumi's current assertion of its antitrust claims. However, these claims were mature at the time Izumi served its answer in *Windmere,* they arise from the same basic controversy, presented in *Windmere,* between Izumi and the Philips corporations, and no third parties are needed for the adjudication of the antitrust claims that could not have been brought into the Florida court. Thus, Izumi's antitrust claims were compulsory counterclaims in the *Windmere* lawsuit. Izumi's failure to raise these claims in the prior suit bars it from raising them here. Accordingly, the counterdefendants' motions for summary judgment are granted on the antitrust claims. Finally, counterdefendants' motions to dismiss the state claims are granted for lack of pendent jurisdiction.

/s/ Charles P. Kocoras
CHARLES P. KOCORAS
United States District Judge

Dated: December 1, 1987

APPENDIX C

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

No. 85 C 5366

U.S. PHILIPS CORPORATION,
Plaintiff,

v.

SEARS ROEBUCK & Co. and
IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA,
Defendants.

MEMORANDUM OPINION

CHARLES P. KOCORAS, District Judge:

This case comes before the Court on defendant Izumi's Motion for Reconsideration of this Court's December 1, 1987 ruling. For sake of brevity, the Court will not repeat the well-known procedural history of this case. The only issue the Court must address in this opinion is whether the Federal Circuit Court of Appeal's decision to order a new trial on the antitrust portion of the *Windmere* case in Florida entitles Izumi to have its counterclaims reinstated in the case at bar. Izumi basically argues that because this Court's decision to bar Izumi from bringing its counterclaim here was based in part on the res judicata aspect of Rule 13(a) and because the *Windmere* decision is no longer final, the Court must reconsider and reverse its decision. We disagree.

The basic rule regarding compulsory counterclaims is that if a claim falls within the definition of a compulsory counterclaim as set forth in Fed. R. Civ. Pro. 13(a) and

it is not brought at the appropriate time, the claimant is thereafter forever barred from filing its counterclaim. *Baker v. Gold Seal Liquors, Inc.*, 417 U.S. 467, 469 n.1 (1974). "Although this result is well-established by the cases, and a contrary result would destroy the effectiveness of Rule 13(a), it is not clear precisely on what authority it is based." Wright & Miller, Federal Practice and Procedure: Civil § 1417. Most Courts, however, including this one in its December 1, 1987 opinion, have reasoned that under Rule 13(a), the defendant is precluded from a later assertion of his claim by the doctrine of res judicata.

In its December 1, 1987 opinion, this Court determined that Izumi's antitrust claims were compulsory counterclaims which should have been brought in the Florida action. This Court then concluded that since Izumi did not file these claims in the Florida action and the case proceeded to final judgment, Izumi was barred from bringing those claims here. We believe that the effect of the reinstitution of the *Windmere* case in Florida only changes this Court's ruling in one respect: the res judicata bar no longer applies. The retrial of *Windmere*, however, in no way affects this Court's sound determination that Izumi's antitrust claims are compulsory counterclaims which should proceed in the Florida action. Accordingly, if Izumi wishes to file its counterclaims, it should direct its request to the Florida District Court where the retrial of the original cause is scheduled. This Court is aware that Izumi is no longer a party to that litigation which may pose problems with Izumi's ability to file its claims in that case. However, that fact does not give this Court sufficient ground to reverse its prior ruling that Izumi's claims were compulsory counterclaims which should have been brought in the Florida action. Consequently, Izumi's Motion to Reconsider is denied.

/s/ Charles P. Kocoras
CHARLES P. KOCORAS
United States District Judge

Dated: May 19, 1989

APPENDIX D

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

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85 C 5366

U.S. PHILIPS CORPORATION,
NORTH AMERICAN PHILIPS CORPORATION,
Plaintiffs,

v.

SEARS ROEBUCK & Co., and
IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA,
Defendants.

MEMORANDUM OPINION

CHARLES P. KOCORAS, District Judge:

This patent infringement/unfair competition dispute is presently before the court on two motions. The first motion is brought by plaintiffs, U.S. Philips Corporation ("U.S. Philips") and North American Philips Corporation ("N.A. Philips"), to vacate the summary judgment entered by this Court on October 5, 1990, dismissing plaintiffs' unfair competition claim against defendant Sears Roebuck & Co. ("Sears"). The second motion is brought by defendant, Izumi Seimitsu Kogyo Kabushiki Kaisha ("Izumi") to reconsider this Court's order on December 1, 1987, for partial summary judgment dismissing this defendant's antitrust counterclaims.

For the sake of brevity, the Court will not repeat here the well-known procedural history of this case but will include pertinent procedural facts in our discussion below.

For the reasons set forth below, we will grant plaintiffs' motion to vacate the summary judgment order and will deny Izumi's motion for reconsideration.

DISCUSSION

A. *MOTION TO VACATE SUMMARY JUDGMENT*

Plaintiffs, U.S. Philips and N.A. Philips (collectively "Philips") move this Court to vacate the October 5, 1990 summary judgment order dismissing N.A. Philips' claim for unfair competition against defendant, Sears. Philips argues that the sole basis of our summary judgment order against N.A. Philips rests on the collateral estoppel effect of the Florida court judgment entered against N.A. Philips on its unfair competition claim against Windmere corporation. In support, Philips refers to our memorandum opinion, where we held that the judgments in the Florida cases (*"Windmere"*), preclude Philips' claims against Sears:

> Twice Philips litigated these essential elements in *Windmere* and twice the jury found that Philips had not proven the required elements. As functional designs are not accorded any protection under trademark or unfair competition law (cite omitted), the court in *Windmere* found that Philips' trade dress was not protected. . . Under *Blonder-tongue* Philips is now barred from relitigating the same issue in Illinois. Accordingly, Sears' motion for summary judgment on Philips unfair competition claim is granted.

(Memorandum Opinion, October 5, 1990, at 12-14). Philips further argues that the basis for our summary judgment ruling is no longer valid because the Federal Circuit vacated the *Windmere* judgment on July 31, 1992 following the parties' settlement agreement and move for vacatur.[1] Philips argues, and we agree, that as a result

[1] The procedural history is as follows: In May 1992, Windmere and Philips reached a settlement of the *Windmere* action. Given

of their vacatur, the judgments in *Windmere* no longer have preclusive effect. Accordingly, we will vacate our summary judgment against N.A. Philips.

Defendant, Sears, opposes the motion to vacate the summary judgment, arguing that a judgment's preclusive effect is lost only when the judgment is vacated on the merits, not when the judgment is vacated upon settlement. We find, however, that the caselaw refutes this distinction. Moreover, Sears urges this Court to adopt the Ninth Circuit rule articulated in *Bates v. Union Oil Co.*, 944 F.2d 647 (9th Cir. 1991), *cert den Union Oil Co. v Bates*, 112 S. Ct. 1761, 60 U.S.L.W. 3735 (US 1992), holding that a vacated judgment can be given collateral estoppel effect where the parties settled while the judgment was on appeal. We find, however, that, in *Bates*, the Ninth Circuit drew a narrow exception to the settled rule for instances where a district court of that circuit vacates without first undergoing the weighing analysis mandated by the Ninth Circuit law in *Ringsby Truck Lines, Inc. v. Western Conference of Teamsters*, 686 F.2d 720 (9th Cir. 1982). Therefore, we find *Bates* inapplicable to the present case where the Federal Circuit vacated the *Windmere* judgments at issue *in compliance* with its own law. Moreover, Sears' implication that the Federal Circuit improperly vacated the *Windmere* judgments misconstrues the instant issue. The issue before this Court is not whether the Federal Circuit was correct in vacating the *Windmere* judgments but, rather, the im-

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that Philips was giving up its right to appeal by settlement, the parties agreed that they would jointly move to vacate the unfair competition and antitrust judgments. Izumi, the defendant in the patent infringement claim in this action, filed an objection to the motion to vacate the unfair competition judgment. Nonetheless, on July 31, 1992, the Court of Appeals for the Federal Circuit vacated the judgments. *See U.S. Philips v. Windmere Corp.*, No. 92-1020, slip op. at 5 (Fed. Cir. July 31, 1992). On August 12, 1992 the Federal Circuit denied Izumi's motion to stay the mandate for the vacatur order. On October 2, 1992, Izumi's petition for rehearing and for en banc consideration was denied.

pact of the vacatur thereby ordered on our prior summary judgment. For these reasons, we reject Sears' arguments in opposition to the motion to vacate the summary judgment.

The issue in contention between the parties is the collateral estoppel effects of a judgment vacated pursuant to settlement. In the ensuing discussion, we will address first the bases in support of our conclusion that a vacated judgment has no preclusive effect and then our reasons for vacating this Court's summary judgment order.

1. *A Vacated Judgment Has No Preclusive Effect*

As mentioned above, we relied upon the Florida court's *Windmere* judgments in reaching our determination in the summary judgment order that plaintiff's unfair competition claims were precluded on collateral estoppel grounds. On July 31, 1992, however, the Federal Circuit vacated these judgments. For the following reasons, we find that the vacated *Windmere* judgments have lost their preclusive effect.

a. *The Federal Circuit's Vacatur Was Proper*

The Federal Circuit's vacatur of the *Windmere* judgments was in compliance with the law of the Federal Circuit. In *U.S. Philips Corp. v. Windmere Corp.*, No. 92-1020 at 5 (Fed. Cir. July 31, 1992), the Federal Circuit ruled that vacatur of the *Windmere* trial judgments was appropriate because "settlement moots the action on appeal." In reaching this conclusion, the Federal Circuit relied on the following precedent: *Federal Data Corp. v. SMS Data Products Group, Inc.*, 819 F.2d 277, 280 (Fed. Cir. 1987) ("When the parties have settled their differences, then the appropriate course of action is for the appellate court to dismiss the action and to vacate the judgment below [citation omitted]."); *Smith Int'l. Inc. v. Hughes Tool Co.*, 839 F.2d 663, 664 (Fed. Cir. 1988) ("where it appears upon appeal that the controversy has become entirely moot, which is the effect of settlement in

this case, 'it is the duty of the appellate court to set aside the decree below and to remand the cause with directions to dismiss.' [citation omitted]"); and *United States v. Munsingwear, Inc.*, 340 U.S. 36, 39-40 (1950) ("the established practice of the Court in dealing with a civil case from a court in the federal system which has become moot while on its way here . . . is to reverse or vacate the judgment below"). The Federal Circuit addresses the effect of vacatur pursuant to settlement in its recent *Kimberly-Clark Corp. v. Proctor & Gamble Distributing Co.* decision, which is also noteworthy for its citation of the July 31, 1992 *U.S. Philips* ruling presently contemplated by this Court:

> Here, K-C and P & G settled the infringement issues by granting each other immunity from suit and releasing one another from past infringement damages. We therefore vacate that part of the district court's judgment relating to infringement, as such vacation eliminates judgments on which review has now being foreclosed. *United States v. Munsingwear, Inc.*, 340 U.S. 36, 39-40 (1950); *see also U.S. Philips Corp. v. Windmere Corp.*, No. 92-1020 (Fed. Cir. July 31, 1992); *Federal Data Corp. v. SMS Data Products Group, Inc.*, 819 F.2d 277, 280 (Fed. Cir. 1987).

Nos. 92-1011 & 92-1024, 1992 U.S. App. LEXIS 19815 at *6-*7 (Fed. Cir. Aug. 26, 1992). Our determination that the vacatur of the *Windmere* judgments terminates their preclusive effect is thus in accordance with the Federal Circuit's treatment of the issue. We further recognize that the Federal Circuit complied with the law of that circuit when it vacated the *Windmere* judgments in *U.S. Philips*.

b. *The Impact of Vacatur Under Seventh Circuit Law*

We determine that, according to the Seventh Circuit, a vacated judgment loses its preclusive effect, regardless of

whether or not the judgment was vacated pursuant to a settlement. Sears argues that the Seventh Circuit has not yet ruled on the issue whether to give collateral estoppel effect to a federal judgment vacated because the parties settled on appeal. We disagree in view of *Pontarelli Limousine, Inc. v. Chicago,* 929 F.2d 339 (CA7 Ill 1991), *reh, en banc, den Pontarelli Limousine, Inc. v. Chicago,* 1991 U.S. App. LEXIS 9467 (CA7 1991), where the Seventh Circuit held that an Illinois state court judgment lost all preclusive force when it was vacated pursuant to a settlement. In reaching this conclusion, the Seventh Circuit indicated that, though it applied Illinois law, this was federal law as well:

> The first question on appeal . . . is whether the district judge erred in refusing to give the judgment in *Chicago Courtesy* collateral estoppel effect in this case, . . . He did not err. A vacated judgment has no collateral estoppel or res judicata effect under Illinois law, [citation omitted] (or any other law, *No East-West Highway Committee, Inc. v. Chandler,* 767 F.2d 21, 24 (1st Cir. 1985).[2]

Sears points to the Seventh Circuit's holding in *In re Memorial Hospital of Iowa County, Inc.,* 862 F.2d 1299 (7th Cir. 1988), where the court held it would not vacate judgments on a motion by parties who settled while the case was on appeal. Sears uses this holding to argue that the Seventh Circuit's practice of refusing vacatur upon settlement avoids loss of preclusion in the instant case. The Seventh Circuit in *Pontarelli,* however, rejects this argument, which was raised by a party to that suit as well:

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[2] The court in *No East-West Highway* ruled, "A vacated judgment has no preclusive force either as a matter of collateral or direct estoppel or as a matter of the law of the case." 767 F.2d at 24. The court relied, in part, upon 18 C. Wright, A. Miller & E. Cooper, Federal Practice and Procedure § 4432 at 302 (1981), which reads: "Once . . . the judgment is vacated, preclusion is of course defeated as to any matter that is left open for further proceedings."

> The plaintiffs rely on *In re Memorial Hospital of Iowa County, Inc.*, 862 F. 2d 1299 (7th Cir. 1988), for the contrary position. But that was a case in which we refused to vacate a judgment. *Had we done so, then—as our opinion made clear—the judgment could not have been used in future litigation.* Indeed this case was one of the considerations that moved us not to vacate it. *Id.* at 1302. Maybe the judge in *Chicago Courtesy* should not have vacated the judgment in that case either, but he did so, and thus deprived it of any future effect.

929 F. 2d at 341 (emphasis added). In the instant case, we need not ask whether the Seventh Circuit would have vacated the *Windmere* judgments as did the Federal Circuit. Rather, what is important to the present motion is that the Federal Circuit vacated the *Windmere* judgments in compliance with the law of that circuit. In light of this properly entered vacatur and the *Pontarelli* holding, this Court determines that the *Windmere* judgments no longer have preclusive effect.

c. *Other Circuit's Treatment of This Issue*

We find that other circuits are in agreement with our resolution of this issue. The following court opinions attest to this: *Universal City Studios, Inc. v. Nintendo Co.*, 578 F. Supp. 911, 919 (S.D.N.Y. 1983) *aff'd Universal City Studios, Inc. v. Nintendo Co.* 746 F.2d 112 (CA2 NY 1984) (no preclusive effect as to any issues where court of appeals vacated judgment pursuant to parties's settlement agreement); *Dodrill v. Ludt*, 764 F.2d 442, 444 (6th Cir. 1985) ("[T]he general rule is that a judgment which is vacated, for whatever reason, is deprived of its conclusive effect as collateral estoppel."); *Delta air Lines, Inc. v. McCoy Restaurants, Inc.*, 708 F. 2d 582, 585 (11th Cir. 1983) (After noting that the parties "properly" decided not to argue that a judgment vacated on appeal after settlement carried any preclusive effect, the court

stated a "district court ruling vacated by a court of appeals as moot has no precedential value."); *Harris Trust and Savings Bank v. John Hancock Mutual Life Insur. Co.*, 1992 U.S. App. LEXIS 17451, No. 91-7584 at *25-*26 (2nd Cir. July 30, 1992) ("it is an abuse of discretion for a district court to refuse to enter a vacatur pursuant to a settlement providing that the vacated order could not have collateral estoppel effect in any subsequent action.").[3]

2. *The Summary Judgment Against N.A. Philips Shall Be Vacated*

This Court will vacate the summary judgment against N.A. Philips dismissing its unfair competition claim because the judgment upon which it rests has been vacated by the Federal Circuit in *U.S. Philips*. "[A] second judgment based upon the preclusive effects of the first judgment should not stand if the first judgment is reversed." Charles A. Wright et al., *Federal Practice and Procedure* § 4433 at 311 (1981). *See also Consolidated Express, Inc. v. New York Shipping Ass'n*, 641 F.2d 90, 93-94 (3d Cir. 1981) *prohibition den In re International Longshoremen's Asso.*, 451 U.S. 905 (1981) ("Since the judgment which was the predicate for our discussion of collateral estoppel has been vacated so much of our prior judgment as required giving that judgment any effect in this case must be vacated."); *Fredyma v. AT&T Network Systems, Inc.*, 1991 U.S. App. LEXIS 13699 at *2 (1st Cir. 1991) (Dismissal of a second complaint based on the preclusive effect of the first complaint whose dismissal was later vacated on appeal had to be reinstated because "[a] judgment that has been vacated, reversed, or set aside

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[3] In agreement is 1AB James Wm. Moore et al., Moore's Federal Practice ¶ 0.416[2] at 517 (2d ed. 1992): "A judgment that has been vacated, reversed, or set aside on appeal is thereby deprived of all conclusive effect, both as res judicata and as collateral estoppel [footnote omitted] The same is true, of course, of a judgment vacated by a trial court."

on appeal is thereby deprived of all conclusive effect, both as res judicata and as collateral estoppel."); *Humphreys v. Bic Corp.*, 1991 U.S. App. LEXIS 905 at *11 (CA6 1991) ("A judgment in a second action that rests on the preclusive effects of a judgment in a prior action should not be allowed to stand if the first judgment is reversed.").

Therefore, in light of the Federal Circuit's vacatur of the *Windmere* judgments and our determination that, as such, the judgments no longer have preclusive effect, we vacate the summary judgment this Court entered against N.A. Philips.

B. *MOTION FOR RECONSIDERATION*

Izumi presently moves this Court to reconsider its December 1, 1987 order granting partial summary judgment, where we held that Izumi's antitrust counterclaims were compulsory counterclaims in the *Windmere* action. Izumi bases this present motion on the alleged reversal of representations made by Philips before the Federal Circuit and this Court. Izumi contends that Philips currently asserts that the predatory pricing antitrust counterclaims do not arise out of the same transaction or occurrence as the subject matter of the patent claim filed by U.S. Philips against Izumi, whereas at the time of moving for summary judgment against Izumi's antitrust counterclaims, Philips asserted the exact opposite. The issue we must address is whether Philips' allegedly contradictory representations entitles Izumi to have its counterclaims reinstated. We determine that they do not and thereby deny Izumi's motion.

In our December 1, 1987 opinion, this Court determined that Izumi's antitrust claims were compulsory counterclaims which should have been brought in the Florida *Windmere* action. This Court then concluded that since Izumi did not file these claims in the Florida action and the case proceeded to final judgment, Izumi was barred from bringing those claims here. We stated:

> Thus, Izumi as a named defendant to the patent infringement claim, and the conceded "real party in interest" to the claim of unfair competition, had the capacity to present its entire controversy in the *Windmere* lawsuit. It was, therefore, incumbent upon Izumi to do so or be forever barred.

(Memorandum Opinion, at 13). Therefore, we granted partial summary judgment for Philips, holding that Izumi's antitrust counterclaims were compulsory counterclaims in *Windmere* and, as such, were barred from the instant action.

We recognize that Izumi's three prior motions for reconsideration were denied by this Court on December 22, 1987, May 19, 1989, and May 17, 1990. On all three occasions, we ruled that Izumi had presented nothing that in any way affected the basis for this Court's original ruling. Once again, we find that Izumi's contentions do not refute the wisdom of our prior holding. The fact of Philip's change in position, even if it is true, does not give this Court sufficient ground to reverse its prior ruling that Izumi's claims were compulsory counterclaims which should have been brought in the Florida action. Consequently, Izumi's motion to reconsider is denied.

CONCLUSION

For the foregoing reasons, we grant Philips motion to vacate the summary judgment entered by this Court on October 5, 1990, dismissing Philips' unfair competition claim against Sears. We deny Izumi's motion for reconsideration.

/s/ Charles P. Kocoras
CHARLES P. KOCORAS
United States District Judge

Dated: Oct. 13, 1992

APPENDIX E

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

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85 C 5366

U.S. PHILIPS CORPORATION and
NORTH AMERICAN PHILIPS CORPORATION,
Plaintiffs,

v.

SEARS ROEBUCK & CO., and
IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA,
Defendants.

ORDER

CHARLES P. KOCORAS, District Judge:

This Court, with the agreement of the parties, has decided that the questions ruled upon in its Memorandum Opinions and orders dated December 1, 1987, December 22, 1987, May 19, 1989, May 17, 1990 and October 13, 1992 should be certified for immediate appeal pursuant to 28 U.S.C. § 1229(b). Accordingly,

(1) IT IS ORDERED that the Orders of this Court entered on December 1, 1987, December 22, 1987, May 19, 1987, May 17, 1990, and October 13, 1992 be amended to include the following statement in such Orders that:

> "In the opinion of this Court, these Orders granting Summary Judgment against Izumi's antitrust counterclaims involve questions of law as to which there are substantial grounds for differences of opinion and an

immediate appeal from such Order may materially advance the ultimate termination of the present litigation. The specific issues are whether Izumi is barred from pursuing such counterclaims on the basis that such counterclaims were compulsory counterclaims in a previously filed action of *U.S. Philips Company et al.* v. *Windmere Corp., et al.* which could not be asserted in this action, and whether Izumi has standing to raise these particular antitrust counterclaims."

(2) IT IS ORDERED that the Order of this Court entered on October 13, 1992, be and is hereby amended to include the following statement in such Order:

"In the opinion of this Court, this Order reconsidering this Court's prior Summary Judgment against N.A. Philips' unfair competition claims and reinstating those claims involve a controlling question of law as to which there is a substantial ground for difference of opinion, and an immediate appeal from such Order may materially advance the ultimate termination of this litigation. Such issue involves whether under the law of the 7th Circuit, plaintiff N.A. Philips can be barred under collateral estoppel from again retrying the issue of trade dress infringement in view of the findings of the jury and the judgment of the Court in *U.S. Philips Company et al.* v. *Windmere Corp., et al.*, where the final judgment of the Court was vacated predicated upon a settlement reached between Philips and Windmere."

3. The bases for differing opinion on these issues are apparent in this Court's Memorandum Opinions and Orders. They are controlling questions of law in this litigation because they determine whether principal claims of the parties may be tried. An immediate appeal from these Memorandum Opinions and Orders may materially advance the ultimate termination of this cause because such an appeal will determine with finality which claims will proceed to trial. This will avoid the potential for multiple

trials at considerable expense if any of this Court's ruling on the questions are found to be in error and prompt resolution of these issues may promote settlement.

/s/Charles P. Kocoras
CHARLES P. KOCORAS
United States District Judge

Dated: November 6, 1992

APPENDIX F

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Miscellaneous Docket No. 361

U.S. PHILIPS CORPORATION and
NORTH AMERICAN PHILIPS CORPORATION,
Plaintiffs-Respondents,

v.

SEARS ROEBUCK & Co. and
IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA,
Defendants-Petitioners.

On Petition for Permission to Appeal

Before MAYER, *Circuit Judge,* COWEN, *Senior Circuit Judge,* and SCHALL, *Circuit Judge.*

SCHALL, *Circuit Judge.*

ORDER

Izumi Seimitsu Kogyo Kabushiki Kaisha (Izumi) and Sears Roebuck & Co. (Sears) petition for permission to appeal from certain orders of the United States District Court for the Northern District of Illinois certified for immediate appeal pursuant to 28 U.S.C. § 1292(b), (c)(1) on November 6, 1992. U.S. Philips Corporation and North American Philips Corporation (Philips) filed a

response stating that they do not oppose the motion, but that they believe that the district court's orders are correct.

This case from the Illinois district court and a related case from a Florida district court have a long and complex procedural history. For purposes of this petition, only the following is pertinent. Philips sued Windmere Corporation and Izumi in a Florida district court in 1984 for, inter alia, patent infringement, inducement to infringe, and unfair competition under the Lanham Act. Windmere, but not Izumi, counterclaimed against Philips under the antitrust laws. After a jury trial, an appeal, a remand, another trial, and a second appeal, Philips and Windmere settled.[1] On July 31, 1992, this court granted Philips' and Windmere's joint motion to vacate the district court's judgment.

Meanwhile, in 1985 Philips sued Sears and Izumi in the Illinois district court for patent infringement, inducement, and unfair competition. Izumi counterclaimed under the antitrust laws.

The Illinois district court issued various orders over the years concerning whether Izumi was barred from pursuing its antitrust counterclaims in Illinois because it failed to file such a counterclaim in Florida and whether Philips was collaterally estopped from retrying the Lanham Act claims after the Federal Circuit vacated the Florida judgment. In the final analysis, the Illinois district court determined that Izumi was barred from now asserting an antitrust counterclaim and that Philips was not collaterally estopped from retrying the Lanham Act claims. The district court certified its orders and set forth the controlling questions of law:

> In the opinion of this court, these Orders granting Summary Judgment against Izumi's antitrust counterclaims involve questions of law as to which there are

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[1] Neither Windmere nor Izumi sought appellate review of the jury's $6,500 damages award for infringement.

> substantial grounds for differences of opinion and an immediate appeal from such Order may materially advance the ultimate termination of the present litigation. The specific issues are whether Izumi is barred from pursuing such counterclaims on the basis that such counterclaims were compulsory counterclaims in a previously filed action of *U.S. Philips Company et al. v. Windmere Corp., et al.* which could not be asserted in this action, and whether Izumi has standing to raise these particular antitrust counterclaims.
>
> In the opinion of this Court, this Order reconsidering this Court's prior Summary Judgment against N.A. Philips' unfair competition claims and reinstating those claims involve a controlling question of law as to which there is a substantial ground for difference of opinion, and an immediate appeal from such an Order may materially advance the ultimate termination of this litigation. Such issue involves whether under the law of the 7th Circuit, plaintiff N.A. Phillips can be barred under collateral estoppel from again retrying the issue of trade dress infringement in view of the findings of the jury and the judgment of the Court in *U.S. Philips Company et al. v. Windmere Corp., et al,* where the final judgment of the Court was vacated predicated upon a settlement reached between Philips and Windmere.

We agree with the parties and the district court that the orders were appropriate for certification.[2] The questions of law are not relevant just to the particular facts of the case, but could be of importance to the bar in general. Further, as pointed out by Izumi and Sears, there are conflicting circuit views about these issues and uncertainty regarding Supreme Court precedent. Finally, re-

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[2] A certified order must involve a controlling question of law as to which there is a substantial difference of opinion and an immediate appeal should materially advance the ultimate termination of the litigation. 28 U.S.C. § 1292(b).

viewing these interlocutory appeals will determine with finality which claims will proceed to trial and, thus, may materially advance the ultimate termination of the litigation.

Accordingly,

IT IS ORDERED THAT:

Izumi and Sears' petition for permission to appeal is granted.

FOR THE COURT

/s/ Alvin A. Schall
ALVIN A. SCHALL
Circuit Judge

Date Dec. 10, 1992

cc: Gary M. Hoffman, Esq.
Sheldon Karon, Esq.

APPENDIX G

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

93-1188

U.S. PHILIPS CORPORATION and
NORTH AMERICAN PHILIPS CORPORATION,
Plaintiffs-Appellees,
v.

SEARS ROEBUCK & Co. and
IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA,
Defendant-Appellants.

ORDER

A combined petition for rehearing and suggestion for rehearing in banc having been filed by the APPELLANT, and a response thereto having been invited by the court and filed by the APPELLEE, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the suggestion for rehearing in banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

The mandate of the court will issue on July 13, 1995.

Circuit Judge NIES did not participate in the vote.

FOR THE COURT,

FRANCIS X. GINDHART
Clerk

By /s/ Diane M. Frye
DIANE M. FRYE
Chief Deputy Clerk

Dated: July 6, 1995

cc: GARY M. HOFFMAN
WILLIAM E. WILLIS

APPENDIX H

COURTS OF APPEALS DECISIONS

1970-1979:

Judicial estoppel raised:

1. *Himel v. Continental Illinois National Bank & Trust Co.*, 596 F.2d 205, 210-11 (7th Cir. 1979).
2. *Skokomish Indian Tribe v. General Services Administration*, 587 F.2d 428, 433 (9th Cir. 1978).
3. *Cramer v. General Telephone & Electronics Corp.*, 582 F.2d 259, 267 (3d Cir. 1978), *cert. denied*, 439 U.S. 1129 (1979).
4. *City of Miami Beach v. Smith*, 551 F.2d 1370, 1376-77 (5th Cir. 1977).
5. *Reno v. Beckett*, 555 F.2d 757, 770 (10th Cir. 1977).
6. *Walker v. American Motorists Insurance Co.*, 529 F.2d 1163, 1164 (5th Cir. 1976).
7. *Maher v. City of New Orleans*, 516 F.2d 1051, 1056 n.18 (5th Cir. 1975), *cert. denied*, 426 U.S. 893 (1975).
8. *In re Johnson*, 518 F.2d 246, 252 (10th Cir. 1975), *cert. denied*, 423 U.S. 893 (1975).
9. *In re Yarn Processing Patent Validity Litigation*, 498 F.2d 271, 279 (5th Cir. 1974), *cert. denied*, 419 U.S. 1057 (1974).
10. *Johnson Service Co. v. Transamerica Insurance Co.*, 485 F.2d 164, 174-75 (5th Cir. 1973).
11. *American Mannex Corp. v. Rozands*, 462 F.2d 688 (5th Cir. 1972), *cert. denied*, 409 U.S. 1040 (1972).
12. *Tipler v. E.I. duPont deNemours & Co.*, 443 F.2d 125, 130 (6th Cir. 1971).

13. *Smith v. Travelers Insurance Co.*, 438 F.2d 373, 377 (6th Cir. 1971), *cert. denied*, 404 U.S. 832 (1971).

Judicial estoppel found:

1. *American Mannex Corp. v. Rozands*, 462 F.2d 688 (5th Cir. 1972), *cert. denied*, 409 U.S. 1040 (1972).

1980-1989:

Judicial estoppel raised:

1. *In re Corey*, 892 F.2d 829, 835-36 (9th Cir. 1989), *cert. denied*, 498 U.S. 815 (1990).
2. *Peugeot Motors of America, Inc. v. Eastern Auto Distributors, Inc.*, 892 F.2d 355, 356 n.3 (4th Cir. 1989), *cert. denied*, 497 U.S. 1005 (1990).
3. *Smith v. Pinner*, 891 F.2d 784, 787 (10th Cir. 1989).
4. *Winslow v. National Transportation Safety Board*, 885 F.2d 615, 618 n.4 (9th Cir. 1989).
5. *Stevens Technical Services, Inc. v. SS Brooklyn*, 885 F.2d 584, 588-89 (9th Cir. 1989).
6. *Lewandowski v. National Railroad Passenger Corp.*, 882 F.2d 815, 818 (3d Cir. 1989).
7. *Mason & Dixon Lines, Inc. v. First National Bank of Boston*, 883 F.2d 2, 4 (4th Cir. 1989).
8. *Murray v. Silberstein*, 882 F.2d 61, 66 (3d Cir. 1989).
9. *Young v. United States Department of Justice*, 882 F.2d 633, 639-40 (2d Cir. 1989), *cert. denied*, 493 U.S. 1072 (1990).
10. *Olchowik v. Sheet Metal Workers' International Ass'n.*, 875 F.2d 555 (6th Cir. 1989).
11. *Tri-State Generation & Transmission Ass'n v. Shoshone River Power, Inc.*, 874 F.2d 1346, 1363-64 (10th Cir. 1989).

12. *Virginia Sprinkler Co. v. Road Sprinkler Fitters Local Union No. 669*, 868 F.2d 116, 120 (4th Cir. 1989).

13. *Coal Resources, Inc. v. Gulf & Western Industries, Inc.*, 865 F.2d 761, 773-74 (6th Cir. 1989).

14. *Reynolds v. Commissioner of Internal Revenue*, 861 F.2d 469 (6th Cir. 1988).

15. *Brandon v. Interfirst Corp.*, 858 F.2d 266 (5th Cir. 1988).

16. *Heitzman v. Commissioner of Internal Revenue Service*, 859 F.2d 783, 786 (9th Cir. 1988).

17. *Consolidated Television Cable Service, Inc. v. City of Frankfort*, 857 F.2d 354, 359 n.4 (6th Cir. 1988), *cert. denied*, 489 U.S. 1082 (1989).

18. *Erie Telecommunications, Inc. v. City of Erie*, 853 F.2d 1984, 1094 n.16 (3d Cir. 1988).

19. *Butcher v. Cessna Aircraft Co.*, 850 F.2d 247 (5th Cir. 1988), *cert. denied*, 489 U.S. 1067 (1989).

20. *Comeaux v. Uniroyal Chemical Corp.*, 849 F.2d 191, 194 (5th Cir. 1988).

21. *Continental Casualty Co. v. McAllen Independent School District*, 850 F.2d 1044, 1046 (5th Cir. 1988).

22. *Rockwell International Corp. v. Hanford Atomic Metal Trades Council*, 851 F.2d 1208, 1210-11 (9th Cir. 1988).

23. *Water Technologies Corp. v. Calco, Ltd.*, 850 F.2d 660, 665-66 (Fed. Cir. 1988), *cert. denied*, 488 U.S. 968 (1988).

24. *Oneida Motor Freight, Inc. v. United Jersey Bank*, 848 F.2d 414, 419-20 (3d Cir. 1988), *cert. denied*, 488 U.S. 967 (1988).

25. *United States v. Levasseur*, 846 F.2d 786, 792-93 (1st Cir. 1988), *cert. denied*, 488 U.S. 894 (1988).

26. *Federal Deposit Insurance Corp. v. Jones*, 846 F.2d 221, 234 (4th Cir. 1988).

27. *Chrysler Credit Corp. v. Rebhan*, 842 F.2d 1257, 1261 (11th Cir. 1988).

28. *United States v. Kepner*, 843 F.2d 755, 759-60 (3d Cir. 1988).

29. *United States v. Kattar*, 840 F.2d 118, 129-30 n.7 (1st Cir. 1988).

30. *Currie v. Cayman Resources Corp.*, 835 F.2d 780, 783 n.6 (11th Cir. 1988).

31. *R.L. Clark Drilling Contractors, Inc. v. Schramm, Inc.*, 835 F.2d 1306, 1308 n.2 (10th Cir. 1987).

32. *Patriot Cinemas, Inc. v. General Cinema Corp.*, 834 F.2d 208, 211-15 (1st Cir. 1987).

33. *Shell Oil Co. v. Trailer & Truck Repair Co.*, 828 F.2d 205, 209-10 (3d Cir. 1987).

34. *Wooten v. United States*, 825 F.2d 1039, 1045 (6th Cir. 1987).

35. *McVay v. Western Plains Service Corp.*, 823 F.2d 1395, 1400-01 (10th Cir. 1987).

36. *Total Petroleum, Inc. v. Davis*, 822 F.2d 734, 737 n.6 (8th Cir. 1987).

37. *In re Marino*, 813 F.2d 1562, 1566 (9th Cir. 1987).

38. *United States v. Flowers*, 813 F.2d 1320, 1327 (4th Cir. 1987).

39. *Eagle Foundation, Inc. v. Dole*, 813 F.2d 798, 810 (7th Cir. 1987).

40. *Moore v. United Services Automobile Ass'n*, 808 F.2d 1147, 1153 n.6 (5th Cir. 1987).

41. *United States v. 49.01 Acres of Land, More or Less*, 802 F.2d 387, 390 (10th Cir. 1986).

42. *Universal City Studios, Inc. v. Nintendo Co.*, 797 F.2d 70, 75 n.3 (2d Cir. 1986), *cert. denied*, 479 U.S. 987 (1986).

43. *Kaiser Cement Corp. v. Fischbach & Moore, Inc.*, 793 F.2d 1100, 1103 (9th Cir. 1986), *cert. denied*, 479 U.S. 949 (1986).

44. *Morgan v. City of Rawlins*, 792 F.2d 975, 979 (10th Cir. 1986).

45. *M. Kramer Manufacturing Co. v. Andrews*, 783 F.2d 421, 448 n.23 (4th Cir. 1986).

46. *United States v. Lehman*, 756 F.2d 725, 728 (9th Cir. 1985), *cert. denied*, 474 U.S. 994 (1985).

47. *American Passage Media Corp. v. Cass Communications, Inc.*, 750 F.2d 1470, 1473 n.2 (9th Cir. 1985).

48. *American Methyl Corp. v. Environmental Protection Agency*, 749 F.2d 826, 833 n.44 (D.C. Cir. 1984).

49. *Jackson Jordan, Inc. v. Plasser American Corp.*, 747 F.2d 1567, 1578 (Fed. Cir. 1984).

50. *DeShong v. Seaboard Coast Line Railroad Co.*, 737 F.2d 1520, 1522-23 n.5 (11th Cir. 1984).

51. *Arizona v. Shamrock Foods Co.*, 729 F.2d 1208, 1215 (9th Cir. 1984), *cert. denied*, 469 U.S. 1197 (1985).

52. *American National Bank v. Federal Deposit Insurance Corp.*, 710 F.2d 1528, 1536 (11th Cir. 1983).

53. *Garcia v. Andrus*, 692 F.2d 89, 94 (9th Cir. 1982).

54. *Edwards v. Aetna Life Insurance Co.*, 690 F.2d 595, 598 (6th Cir. 1982).

55. *Tenneco Chemicals, Inc. v. William T. Burnett & Co.*, 691 F.2d 658, 664-65 (4th Cir. 1982).

56. *In re Morristown & Erie Railroad Co.*, 677 F.2d 360, 368 n.10 (3d Cir. 1982).

57. *Lockwood Corp. v. Black*, 669 F.2d 324, 327 (5th Cir. 1982).

58. *Allen v. Zurich Insurance Co.*, 667 F.2d 1162, 1166-67 (4th Cir. 1982).

59. *Central Progressive Bank v. Fireman's Fund Insurance Co.*, 658 F.2d 377, 379 n.6 (5th Cir. 1981).

60. *Altman v. Altman*, 653 F.2d 755, 757-58 (3d Cir. 1981).

61. *United Virginia Bank v. B. F. Saul Real Estate Investment Trust*, 641 F.2d 185 (4th Cir. 1981).

62. *Konstantinidis v. Chen*, 626 F.2d 933, 937-38 (D.C. Cir. 1980).

Judicial estoppel found:

1. *Smith v. Pinner*, 891 F.2d 784, 787 (10th Cir. 1989).

2. *Lewandowski v. National Railroad Passenger Corp.*, 882 F.2d 815, 818 (3d Cir. 1989).

3. *Mason & Dixon Lines, Inc. v. First National Bank of Boston*, 883 F.2d 2, 4 (4th Cir. 1989).

4. *Murray v. Silberstein*, 882 F.2d 61, 66 (3d Cir. 1989).

5. *Tri-State Generation & Transmission Ass'n v. Shoshone River Power, Inc.*, 874 F.2d 1346, 1363-64 (10th Cir. 1989).

6. *Reynolds v. Commissioner of Internal Revenue*, 861 F.2d 469 (6th Cir. 1988).

7. *Oneida Motor Freight, Inc. v. United Jersey Bank*, 848 F.2d 414, 419-20 (3d Cir. 1988), *cert. denied*, 488 U.S. 967 (1988).

8. *Federal Deposit Insurance Corp. v. Jones*, 846 F.2d 221, 234 (4th Cir. 1988).

9. *Chrysler Credit Corp. v. Rebhan*, 842 F.2d 1257, 1261 (11th Cir. 1988).

10. *Patriot Cinemas, Inc. v. General Cinema Corp.*, 834 F.2d 208, 211-15 (1st Cir. 1987).

11. *Allen v. Zurich Insurance Co.*, 667 F.2d 1162, 1166-67 (4th Cir. 1982).

12. *United Virginia Bank v. B. F. Saul Real Estate Investment Trust*, 641 F.2d 185 (4th Cir. 1981).

1990-1994:

Judicial estoppel raised:

1. *Oscar Mayer Foods Corp. v. Conagra, Inc.*, Nos. 94-1247, 94-1248, 1994 U.S. App. LEXIS 36261, at *19-*20 (Fed. Cir. Dec. 22, 1994).

2. *Casas Office Machines, Inc. v. Mita Copystar America, Inc.*, 42 F.3d 668, 676 (1st Cir. 1994).

3. *Desjardins v. Van Buren Community Hospital*, 37 F.3d 21, 23 (1st Cir. 1994).

4. *United States v. Garcia*, 37 F.3d 1359, 1367 (9th Cir. 1994), *cert. denied*, 115 S. Ct. 1699 (1995).

5. *United States v. Amin Osorio-Arce*, Nos. 93-30468, 94-30003, 1994 U.S. App. LEXIS 25496 (9th Cir. Sept. 14, 1994).

6. *Wagner v. Case Corp.*, 33 F.2d 1253, 1258-59 (10th Cir. 1994).

7. *Cash Flow Investors, Inc. v. Union Oil Co.*, Nos. 93-35157, 93-35206, 1994 U.S. App. LEXIS 22031, at *17 (9th Cir. Aug. 12, 1994).

8. *McGillvary v. City of Troy*, No. 93-3385, 1994 U.S. App. LEXIS 20655, at *7 (6th Cir. Aug. 4, 1994).

9. *Bank One Texas National Ass'n v. Morrison*, 26 F.3d 544, 551 (4th Cir. 1994).

10. *Bogle v. Phillips Petroleum Co.*, 24 F.3d 758, 762 (5th Cir. 1994).

11. *Salmon River Concerned Citizens v. Robertson*, 32 F.3d 1346, 1357-58 (9th Cir. 1994).

12. *Brooks v. Beatty*, No. 93-1891, 1994 U.S. App. LEXIS 12425, at *7-*8 (1st Cir. May 27, 1994).

13. *Grant v. Lone Star Co.*, 21 F.3d 649, 651 n.2 (5th Cir. 1994), *cert. denied*, 115 S. Ct. 574 (1994).

14. *In re Osborn*, 24 F.3d 1199, 1208 (10th Cir. 1994).

15. *McCarthy v. Azure*, 22 F.3d 351, 355 n.4 (1st Cir. 1994).

16. *United States v. Nix*, 21 F.3d 347, 352 (9th Cir. 1994).

17. *Bechtel & Cole v. Graceland Broadcasting, Inc.*, No. 92-7190, 1994 U.S. App. LEXIS 4468, at *5 (D.C. Cir. Mar. 9, 1994).

18. *Crellin Technologies, Inc. v. Equipmentlease Corp.*, 18 F.3d 1, 9 n.11 (1st Cir. 1994).

19. *DeMarco v. Ohio Decorative Products, Inc.*, No. 92-2294, 1994 U.S. App. LEXIS 3848, at *24-*25 (6th Cir. Feb. 25, 1994).

20. *United States v. Rosa*, 17 F.3d 1531, 1548 (2d Cir. 1994), *cert. denied*, 115 S. Ct. 211 (1994).

21. *Patz v. St. Paul Fire & Marine Insurance Co.*, 15 F.3d 699, 702-03 (7th Cir. 1994).

22. *Warda v. Commissioner of Internal Revenue*, 15 F.3d 533, 539 (6th Cir. 1994), *cert. denied*, 115 S. Ct. 55 (1994).

23. *Smith v. Fireman's Fund Insurance Co.*, No. 92-6540, 1994 U.S. App. LEXIS 423, at *9-*10 (6th Cir. Jan. 7, 1994).

24. *In re Coastal Group Inc.*, 13 F.3d 81, 86 n.6 (3d Cir. 1994).

25. *In re Meredith Hoffman Partners*, 12 F.3d 1549, 1554 n.1 (10th Cir. 1993), *cert. denied*, 114 S. Ct. 2674 (1994).

26. *Bowers v. Montague*, No. 93-1017, 1993 U.S. App. LEXIS 32007, at *8 (4th Cir. Dec. 9, 1993).

27. *Modern Exploration Development & Mining, Inc. v. Berg*, Nos. 92-15173, 92-15213, 1993 U.S. App. LEXIS 33553, at *9-*10 (9th Cir. Dec. 7, 1993).

28. *United States v. McCaskey*, 9 F.3d 368, 378-79 (5th Cir. 1993), *cert. denied*, 114 S. Ct. 1565 (1994).

29. *Guidry v. Sheet Metal Workers International Ass'n*, 10 F.3d 700, 716 (10th Cir. 1993).

30. *T.J. Smith & Nephew Ltd. v. Parke, Davis & Co.*, Nos. 92-1240, 92-1241, 1993 U.S. App. LEXIS 25039, at *3 (Fed. Cir. Sept. 28, 1993).

31. *Royal Insurance Co. of America v. Quinn-L Capital Corp.*, 3 F.3d 877, 885 n.6 (5th Cir. 1993), *cert. denied*, 114 S. Ct. 1541 (1994).

32. *Monterey Development Corp. v. Lawyer's Title Insurance Corp.*, 4 F.3d 605, 609-10 (8th Cir. 1993).

33. *Britton v. Co-op* Banking Group, 4 F.3d 742, 744 (9th Cir. 1993).

34. *Chrysler Motors Corp. v. International Union*, 2 F.3d 760, 764 (7th Cir. 1993).

35. *Ciba-Geigy Corp. v. Sidamon-Eristoff*, 3 F.3d 40, 48 (2d Cir. 1993).

36. *In re Brody*, 3 F.3d 35, 39 (2d Cir. 1993).

37. *Continental Illinois Corp. v. Commissioner of Internal Revenue*, 998 F.2d 513, 518 (7th Cir. 1993), *cert. denied*, 114 S. Ct. 685 (1994).

38. *Bates v. Long Island Railroad Co.*, 997 F.2d 1028, 1037-38 (2d Cir. 1993), *cert. denied*, 114 S. Ct. 550 (1993).

39. *In re Troy Dodson Construction Co.*, 993 F.2d 1211, 1215 n.3 (5th Cir. 1993).

40. *Mercury Air Group, Inc. v. International Air Leases, Inc.*, Nos. 91-16885, 91-16926, 1993 U.S. App. LEXIS 12651, at *7-*8 (9th Cir. May 18, 1993).

41. *EF Operating Corp. v. American Buildings*, 993 F.2d 1046, 1050 (3d Cir. 1993), *cert. denied*, 114 S. Ct. 193 (1993).

42. *Fuhrmann v. East Hanover Bd. of Education*, 993 F.2d 1031, 1038 n.6 (3d Cir. 1993).

43. *Payless Wholesale Distributors, Inc. v. Alberto Culver (P.R.) Inc.*, 989 F.2d 570, 571-72 (1st Cir. 1993), *cert. denied*, 114 S. Ct. 344 (1993).

44. *Yanez v. United States*, 989 F.2d 323, 326 (9th Cir. 1993).

45. *United States v. Vastola*, 989 F.2d 1318, 1324 (3d Cir. 1993).

46. *United States v. WRW Corp.*, 986 F.2d 138, 144 n.3 (6th Cir. 1993).

47. *Kale v. Obuchowski*, 985 F.2d 360, 361-62 (7th Cir. 1993).

48. *Mahdesian v. Joseph T. Ryerson & Son, Inc.*, No. 92-1262, 1993 U.S. App. LEXIS 2385 (6th Cir. Feb. 8, 1993) .

49. *United Mine Workers of America 1974 Pension v. Pittston Co.*, 984 F.2d 469, 477 (D.C. Cir. 1993), *cert. denied*, 113 S. Ct. 3039 (1993).

50. *Fleck v. KDI Sylvan Pools, Inc.*, 981 F.2d 107, 121 (3d Cir. 1992), *cert. denied*, 113 S. Ct. 1645 (1993).

51. *Allison v. Ticor Title Insurance Co.*, 979 F.2d 1187, 1193 (7th Cir. 1992).

52. *United States v. City of San Francisco*, No. 92-15163, 1992 U.S. App. LEXIS 29986, at *4 (9th Cir. Nov. 6, 1992).

53. *Witham v. Whiting Corp.*, 975 F.2d 1342 (7th Cir. 1992).

54. *Smith & Smith v. Bowsmith, Inc.*, No. 91-16137, 1992 U.S. App. LEXIS 23041, at *6 (9th Cir. Sept. 17, 1992).

55. *In re Palm*, No. 91-8072, 1992 U.S. App. LEXIS 18025, at *11 (10th Cir. Aug. 5, 1992).

56. *Agristor Financial Corp. v. Van Sickle*, 967 F.2d 233, 237 n.1 (6th Cir. 1992).

57. *Mak v. Blodgett*, Nos. 91-35256, 91-35615, 1992 U.S. App. LEXIS 17525, at *12 (9th Cir. July 16, 1992).

58. *Levinson v. United States*, 969 F.2d 260, 264-65 (7th Cir. 1992), *cert. denied*, 113 S. Ct. 505 (1992).

59. *Northern Alaska Environmental Center v. Lujan*, 961 F.2d 886, 891 (9th Cir. 1992).

60. *Prudhomme v. Tenneco Oil Co.*, 955 F.2d 390, 396 n.20 (5th Cir. 1992), *cert. denied*, 113 S. Ct. 84 (1992).

61. *Wang Laboratories, Inc. v. Applied Computer Sciences, Inc.*, 958 F.2d 355, 358-59 (Fed. Cir. 1992).

62. *Morris v. California*, 966 F.2d 488, 452-53 (9th Cir. 1992), *cert. denied*, 113 S. Ct. 96 (1992).

63. *Diginet, Inc. v. Western Union ATS, Inc.*, 958 F.2d 1388, 1397 (7th Cir. 1992).

64. *Shuler v. Walter E. Heller Western Inc.*, Nos. 89-56218, 89-56272, 1992 U.S. App. LEXIS 3773, at *7 (9th Cir. Mar. 3, 1992).

65. *Bregman v. Alderman*, 955 F.2d 660, 664 (11th Cir. 1992).

66. *Guinness PLC v. Ward*, 955 F.2d 875, 899-900 (4th Cir. 1992).

67. *Michigan v. City of Allen Park*, 954 F.2d 1201, 1217 (6th Cir. 1992).

68. *In re Cheripka*, No. 91-3249, 1991 U.S. App. LEXIS 30343, at *27-*29 (3d Cir. Dec. 31, 1991).

69. *Miles, Inc. v. Scripps Clinic & Research Foundation*, No. 89-56302, 1991 U.S. App. LEXIS 30599, at *11-*12 (9th Cir. Dec. 23, 1991).

70. *Navaro-Ayala v. Hernandez-Colon*, 951 F.2d 1325, 1344 (1st Cir. 1991).

71. *Alaska Airlines, Inc. v. United Airlines, Inc.*, 948 F.2d 536, 540 (9th Cir. 1991), *cert. denied*, 503 U.S. 977 (1992).

72. *United States for Use of American Bank v. C.I.T. Construction Inc.*, 944 F.2d 253, 257-58 (5th Cir. 1991).

73. *Brewer v. Madigan*, 945 F.2d 449, 455 (1st Cir. 1991).

74. *Yniguez v. Arizona*, 939 F.2d 727, 738 (9th Cir. 1991).

75. *McKinnon v. Blue Cross & Blue Shield*, 935 F.2d 1187, 1192-93 (11th Cir. 1991).

76. *United States v. Busacca*, 936 F.2d 232, 240 (6th Cir. 1991), *cert. denied*, 502 U.S. 985 (1991).

77. *New Castle County v. Hartford Accident & Indemnity Co.*, 933 F.2d 1162, 1199 n.67 (3d Cir. 1991).

78. *Chrysler Credit Corp. v. Country Chrysler, Inc.*, 928 F.2d 1509, 1520 n.10 (10th Cir. Mar. 29, 1991).

79. *Pyramid Securities Ltd. v. IB Resolution, Inc.*, 924 F.2d 1114, 1123 (D.C. Cir. 1991), *cert. denied*, 502 U.S. 822 (1991).

80. *Government of the Virgin Islands v. Paniagua*, 922 F.2d 178, 183-84 (3d Cir. 1990).

81. *In re Delta Financial Services, Inc.*, No. 89-35552, 1990 U.S. App. LEXIS 22109, at *10-*11 (9th Cir. Dec. 18, 1990).

82. *Harbor Insurance Co. v. Continental Bank Corp.*, 922 F.2d 357, 364 (7th Cir. 1990).

83. *Astor Chauffeured Limousine Co. v. Runnfeldt Investment Corp.*, 910 F.2d 1540, 1548-49 (7th Cir. 1990).

84. *Teledyne Industries, Inc. v. National Labor Relations Board*, 911 F.2d 1214, 1220 (6th Cir. 1990).

85. *Paul v. Monts*, 906 F.2d 1468, 1474 n.6 (10th Cir. 1990).

86. *Sandstrom v. Chemlawn Corp.*, 904 F.2d 83, 87-88 (1st Cir. 1990).

87. *Delgrosso v. Spang & Co.*, 903 F.2d 234, 241-42 (3d Cir. 1990), *cert. denied*, 498 U.S. 967 (1990).

88. *Merrill Lynch, Pierce, Fenner & Smith, Inc. v. Georgiadis*, 903 F.2d 109, 114 (2d Cir. 1990).

89. *Milgard Tempering, Inc. v. Selas Corp. of America*, 902 F.2d 703, 716 (9th Cir. 1990).

90. *Russell v. Rolfs*, 893 F.2d 1033, 1038-39 (9th Cir. 1990), *cert. denied*, 501 U.S. 1260 (1991).

91. *In re Cassidy*, 892 F.2d 637, 641 (7th Cir. 1990), *cert. denied*, 498 U.S. 812 (1990).

Judicial estoppel found:

1. *Cash Flow Investors, Inc. v. Union Oil Co.*, Nos. 93-35157, 93-35206, 1994 U.S. App. LEXIS 22031, at *17 (9th Cir. Aug. 12, 1994).

2. *McGillvary v. City of Troy*, No. 93-3385, 1994 U.S. App. LEXIS 20655, at *7 (6th Cir. Aug. 4, 1994).

3. *Bogle v. Phillips Petroleum Co.*, 24 F.3d 758, 762 (5th Cir. 1994).

4. *Salmon River Concerned Citizens v. Robertson*, 32 F.3d 1346, 1357-58 (9th Cir. 1994).

5. *McCarthy v. Azure*, 22 F.3d 351, 355 n.4 (1st Cir. 1994).

6. *Warda v. Commissioner of Internal Revenue*, 15 F.3d 533, 539 (6th Cir. 1994), *cert. denied*, 115 S. Ct. 55 (1994).

7. *Smith v. Fireman's Fund Insurance Co.*, No. 92-6540, 1994 U.S. App. LEXIS 423, at *9-*10 (6th Cir. Jan. 7, 1994).

8. *Monterey Development Corp. v. Lawyer's Title Insurance Corp.*, 4 F.3d 605, 609-610 (8th Cir. 1993).

9. *Continental Illinois Corp. v. Commissioner of Internal Revenue*, 998 F.2d 513, 518 (7th Cir. 1993), *cert. denied*, 115 S. Ct. 55 (1994).

10. *Mercury Air Group, Inc. v. International Air Leases, Inc.*, Nos. 91-16885, 91-16926, 1993 U.S. App. LEXIS 2651, at *7-8 (9th Cir. May 18, 1993).

11. *Payless Wholesale Distributors, Inc. v. Alberto Culver (P.R.) Inc.*, 989 F.2d 570, 571-72 (1st Cir. 1993), *cert. denied*, 114 S. Ct. 344 (1993).

12. *Kale v. Obuchowski*, 985 F.2d 360, 361-62 (7th Cir. 1993).

13. *Mahdesian v. Joseph T. Ryerson & Son, Inc.*, No. 92-1262, 1993 U.S. App. LEXIS 2385 (6th Cir. Feb. 8, 1993).

14. *United States v. City of San Francisco*, No. 92-15163, 1992 U.S. App. LEXIS 29986, at *4 (9th Cir. Nov. 6, 1992).

15. *Northern Alaska Environmental Center v. Lujan*, 961 F.2d 886, 891 (9th Cir. 1992).

16. *Guinness PLC v. Ward*, 955 F.2d 875, 899-900 (4th Cir. 1992).

17. *Yniguez v. Arizona*, 939 F.2d 727, 738 (9th Cir. 1991).

18. *Pyramid Securities Ltd. v. IB Resolution, Inc.*, 924 F.2d 1114, 1123 (D.C. Cir. 1991), *cert. denied*, 502 U.S. 822 (1991).

19. *Government of the Virgin Islands v. Paniagua*, 922 F.2d 178, 183-84 (3d Cir. 1990).

20. *Astor Chauffeured Limousine Co. v. Runnfeldt Investment Corp.*, 910 F.2d 1540, 1548-49 (7th Cir. 1990).

21. *Delgrosso v. Spang & Co.*, 903 F.2d 234, 241-42 (3d Cir. 1990), *cert. denied*, 498 U.S. 967 (1990).

22. *Russell v. Rolfs*, 893 F.2d 1033, 1038-39 (9th Cir. 1990), *cert. denied*, 501 U.S. 1260 (1990).

23. *In re Cassidy*, 892 F.2d 637, 641 (7th Cir. 1990), *cert. denied*, 498 U.S. 812 (1990).

(2)

Supreme Court, U.S.
FILED
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No. 95-518

IN THE

Supreme Court of the United States

OCTOBER TERM, 1995

IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA,

Petitioner,

v.

U.S. PHILIPS CORPORATION,
NORTH AMERICAN PHILIPS CORPORATION and
N.V. PHILIPS GLOEILAMPENFABRIEKEN,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF OF RESPONDENTS IN OPPOSITION

GARRARD R. BEENEY
Counsel of Record
125 Broad Street
New York, New York 10004
(212) 558-4000

JAY L. POMERANTZ
MICHAEL E. JOHNSON
SULLIVAN & CROMWELL
Of Counsel

October 30, 1995

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COUNTERSTATEMENT OF QUESTION PRESENTED

Whether the courts of appeals are powerless to invoke judicial estoppel or otherwise deal with a litigant's duplicity merely because the appeal arose under 28 U.S.C. § 1292(b).

RULE 29.6 STATEMENT

The parents and subsidiaries of Respondents U.S. Philips Corporation, North American Philips Corporation and N.V. Philips Gloeilampenfabrieken, other than those that are wholly owned, are listed below:

Famar Fueguina Sociedad Anónima
Electric Lamp Manufacturers (Australia) Pty. Limited
Medical Applications Pty. Limited
Telekabel-Fernsehnetz Region Baden Betriebsgesellschaft m.b.H.
Telekabel-Fernsehnetz Graz Betriebsgesellschaft m.b.H.
Telekabel-Fernsehnetz Klagenfurt Betriebsgesellschaft m.b.H.
Telekabel Wien Aktiengesellschaft
Telekabel-Fernsehnetz Wiener Neustadt/Neunkirchen Betriebsgesellschaft m.b.H.
Neutronics Electronic Industries Holding Gesellschaft m.b.H.
Payer-Lux Verwaltungsges. m.b.H.
ACEC Lighting
Bedrijvencentrum Regio Brugge
Philips Coordination Center
Cable and Wire Assemblies
CWA-Immobiliën
European Development Center
Europese Maatschappij voor fabricage en verkoop van gloeilampenonderdelen "EMGO"
IBLIS FILMS
International Creative Digital Image
Philips Interactive Media Centre
Philips Matsushita Battery Corporation

Pastel
P.D.G. & Partners
Fonobras-Distribuidora Fonografica Brasileira Ltda.
Origin C&P Services Brasil Participaçoes Ltda.
Peterco do Nordeste Produtos Elétricos S.A.
Philips Automotive Lighting Hubei Co., Ltd.
Beijing Philips Audio/Video Corporation
Car Audio Electronics (China) Company Limited
Philips and Sanye Passive Components No. 1 Co., Ltd.
Philips Consumer Electronics Co. of Suzhou, Ltd.
Philips Domestic Appliances and Personal Care Company of Zhuhai SEZ, Ltd.
Feidong Lighting Company, Limited
Changshu Philips Ferrite Co., Ltd.
Hua Fei Colour Display Systems Company, Ltd.
Nanjing Huapu Electronics Company, Ltd.
Philips and Sky Medical Systems Nanjing Ltd.
Shenzhen Shen Fei Plastics and Metalware Company, Limited
Advanced Semiconductor Manufacturing Corporation of Shanghai
Philips & Yaming Lighting Co. Ltd.
Industria Andina de Iluminación S.A. "INADISA"
Bang & Olufsen A/S
Origin/C&P Denmark A/S
El Nasr Company for Electrical and Electronic Apparatus (NEEASAE)
PEC Musiikkitukku Oy
Valaisinpaja Oy
Apogée Communications S.A.
77, Centelec S.A.
Cinea S.A.
COGEDEP, Cie Générale Européenne de Distribution et d'Edition Phonographique S.A.
Le Consul S.A.
Experdata S.A.

INFOGRAMES
Société Industrielle Lenzi
Oui FM S.A.
La Radiotechnique
Ryan Jones S.A.R.L.
Société d'Etudes et Réalisations Nucléaires "Sodern"
Bankgeschäft Heinrich Behncke GmbH
CeQuadrat, Gesellschaft für Vertrieb von Soft- und Hardware G.m.b.H.
Euroventures Deutschland GmbH & Co. KG
Speziallampenfabrik Dr. Fischer GmbH
AFG Elektronik GmbH
Grundig Autoradio-Entwicklungs GmbH
Firmenverband zur Förderung der beruflicher Weiterbildung ffw GmbH
Grundig-Gildemeister Automation GmbH
Grundig Leasing GmbH
Grundig Multimedia Solutions (GMS) GmbH
GRUNDIG Aktiengesellschaft
GRUNDIG Elektrogeräte-GmbH
Grundig E.M.V. Elektro-Mechanische Versuchsanstalt Max Grundig GmbH & Co. KG
Grundig TV-Communications GmbH
Viscom Industrielle Bildverarbeitung GmbH
IR3 Video International GmbH
Kegler Lichttechnik
MGH Marketing Gesellschaft für Handelsservice mbH
Philips Mietsystem GmbH
PDO Professional Digital Optical Media GmbH & Co. K.G.
PDO Professional Digital Optical Media Verwaltungs GmbH
PhonoNet Gesellschaft für Handelsdienstleistungen m.b.H.
Philips Kommunikations Industrie Aktiengesellschaft
PMA Prozess- und Maschinen-Automation GmbH

prompt ! Medizinische Informationssysteme GmbH
Norddeutsche Seekabelwerke AG
SMST SubMicron Semiconductor Technologies GmbH
Sounds Plus Club Marketing GmbH
TECSO Automation GmbH
Car Audio Electronics (Hong Kong) Limited
Electronic Devices Limited
Mobile One Limited
Valen Limited
Philips Monitors Manufacturing Hungary Free Trade Zone Limited Liability Company
PolyGram Music Publishing Company Hungary LLC
PolyGram Records Hungary LLC
Hungarian Speaker Systems Manufacturing and Trading Limited Liability Company
Hind Lamps Limited
Origin Technology in Business (India) Limited
Punjab Anand Lamp Industries Limited
Philips India Limited
PolyGram India Ltd.
Philips Telecommunication Industries Limited
P.T. Philips Development Corporation
P.T. Grundig International Indonesia
P.T. Intra Philindokon
P.T. Philips-Ralin Electronics
Radioelectric Iran Ltd. (Public Joint Stock Company)
Silicon & Software Systems Limited
Philips Automation S.p.A.
Chapulin Edizioni Musicali S.r.L.
C.P. Factor S.r.1.
Music Direct Italia S.p.A.
Villa Sistemi Medicali S.r.1.
Denshi Media Services Company Limited
K.K. Keystone
Marantz Japan, Inc.
Polydor K.K.

Sanken-Airpax Co., Ltd.
Philips Sensor Technology Corporation
Sirius Music Publishing K.K.
Nihon Tecnico K.K.
Your Records K.K.
Daishin and Philips Lighting Autolamps Co., Ltd.
Polygram Ltd.
Philips Precision Korea, Ltd.
Light Incorporated and Trading S.A.L.
Binafron Telecommunications Sdn. Berhad
Electronic Systems (Malaysia) Sdn. Bhd.
Malaysian Lamps Sendirian Berhad
Philips and JVC Video Malaysia Sdn. Bhd.
Semiconductor Miniature Products (M) Sdn. Bhd.
Zaw-Tech (Malaysia) Sdn. Bhd.
Origin C & P Mexicana, S.A. de C.V.
Compañía de Vidrio Industrial, S.A. de C.V.
Maroc Lumière Industrie
Manufacture Nationale pour la Réfrigération et l'Electronique "MANAR"
Advanced Metal Forming B.V.
Advanced Metal Forming C.V.
ASM Lithography Holding N.V.
Berlo Service Group B.V.
BSO/Beheer B.V.
CDi Partner B.V.
ConNova Holland B.V.
Centre for Quantitive Methods CQM B.V.
Flat Panel Display Co. (FPD) B.V.
Icotel International B.V.
Interactive Entertainment Fund C.V.
Bank Mendes Gans N.V.
Meteor Classics B.V.
Micro Scope B.V.
Motown Entertainment Nederland B.V.
MPC Hilversum B.V.

Music Plus v.o.f.
Noble Europe B.V.
Origin/C&P Nederland v.o.f.
PDO Professional Digital Optical Media B.V.
PDO Professional Digital Optical Media C.V.
PolyGram N.V.
Pyton Communications Services B.V.
Record Service Benelux v.o.f.
SPaSE Holding B.V.
Telematica Transacties B.V.
TeleSelect Nederland B.V.
Teleworld Holding B.V.
United and Philips Communications B.V.
New Zealand Electric Lamp Manufacturers Limited
Fluorescent Lamp Partnership
Associated Electronic Products (Nigeria) Limited
PPC (Philips Projects Centre) Limited
Music Service Oslo A/S
TV Torget A/S
Philips Electrical Industries of Pakistan Limited
Polycosmic Records Incorporated
Philips Consumer Electronics Industries Poland Sp.z.o.o.
Grundig Polska Sp.z.o.o.
Philips Matsushita Battery Poland S.A.
Blaupunkt Auto Radio Portugal Lda.
CENDI - Produtos Multimédia, S.A.
Grundig Auto-Radio Portugal Lda.
NACIONALIS - Importao e Exportao, Lda.
Origin C P Portuguesa (Tecnologias de Informaçao), Lda.
Philips Sistemas Telecomunicacoes, Ltda.
Star Invest Limited
Philips Medical Systems Services Closed Joint Stock Company
PolyGram A.O.
Velt Open Joint Stock Company

Signal Telecom
Consolidated Lamp Manufacturers (Pty) Ltd.
Philips Electronics (South Africa) (Proprietary) Limited
Philips Electronics Holdings Limited
Compañia General Española de Electricidad
Sogepaq Distribuçion S.A.
Total Distribuçion S.A.
Electro Válvula S.A.
Arigram Record Service AB
Connova Produktkonsult AB
Kjell Gurfors Internkommunikation AB
Origin/C&P Sweden AB
Stockholm Records AB
Stockholm Songs AB
TVExtra AB
Virgin Sonet Försäljnings AB
Discorack-Nco AG
Elevite AG
Glühlampenfabrik GLORIA AG
Decca Records Taiwan Ltd.
Featron Technologies Corporation
PolyGram Music Publishing Ltd.
Taiwan Semiconductor Manufacturing Company Limited
Windmill Company Ltd.
Société Tunisienne d'Eclairage
Systel
Turk Philips Aydinlatma Sanayi ve Ticaret Anonim Sirketi
Birlesik Aydinlatma Sanayi ve Ticaret Anonim Sirketi
Turk Philips Ticaret Anonim Sirketi
Turk Philips Sanayi Anonim Sirketi "Philisan"
Adrawing Ltd.
Africa Fete Ltd.
Alto Music Ltd.
BITS Corporation Limited

CD-I Training Limited
Cedarwood Music Ltd.
Croxton Investments Limited
Debonaire Music Ltd.
DEF American Ltd.
Delphic Card Systems E.E.I.G.
Dominic Music Ltd.
Eros Music Systems Ltd.
F F R R Records Ltd.
Folklore Ltd.
Gee Street Music Ltd.
Gee Street Records Ltd.
Go ! Holdings Ltd.
Gooding Microwave Technology Ltd.
Gralto Music Ltd.
Grundig Satellite Communications Ltd.
Kempston [1987] Limited
Lavington Investments Limited
Philips Lighting Manufacturing Limited
Megahertz Communications Limited
Morrison Hotel Music Ltd.
Origin C&P Limited
Pageant Music Ltd.
Paragon Publicity & Public Relations Ltd.
Plazastreet Limited
Producer Services Holding Limited
Pyecam Company Limited
Really Useful Holdings Ltd.
Rolegram Ltd.
Spencer Davis Music Ltd.
Teletext Holdings Limited
Tiger Music Ltd.
Vision Videolabel Ltd.
Working Title TV Limited
Alliance/IT, L.L.C.
Standard Amateur Radio Products, Inc.

Cellularvision Technology & Telecommunications L.P.
Computer Access Technology Corporation
Def Jam Records, Inc.
Electronic Ballast Technology, Inc.
EBT, Inc.
Grundig Business Systems Inc.
Gramercy Pictures
Great Entertainment Merchandise, Inc.
Grundig Business Systems, Inc.
Interscope Communications, Inc.
London Music
London Publishing
London Records
Mepcopal
Metropolitan Entertainment Co., Inc.
Navigation Technologies Corporation
OptImage Interactive Services Company, L.P.
PolyGram/Philips Media Game, Inc.
Rush Associated Labels Recordings
Songs of London
Standard Communications Corp.
WCLP L.P.
Philips Consumer Products Yugoslavia, Trade Company with Limited Liability

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No. 95-518

IN THE

Supreme Court of the United States

OCTOBER TERM, 1995

IZUMI SEIMITSU KOGYO
KABUSHIKI KAISHA,

Petitioner,

v.

U.S. PHILIPS CORPORATION,
NORTH AMERICAN PHILIPS
CORPORATION and N.V. PHILIPS
GLOEILAMPENFABRIEKEN,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF OF RESPONDENTS IN OPPOSITION

Respondents U.S. Philips Corporation, North American Philips Corporation (now known as Philips Electronics North America Corporation) and N.V. Philips Gloeilampenfabrieken (now known as Philips Electronics N.V.) (collectively "Philips") respectfully request that the petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this interlocutory appeal be denied.

CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED

28 U.S.C. § 1292(b) provides:

> When a district judge, in making in a civil action an order not otherwise appealable under this section, shall be of the opinion that such order involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation, he shall so state in writing in such order. The Court of Appeals which would have jurisdiction of an appeal of such action may thereupon, in its discretion, permit an appeal to be taken from such order, if application is made to it within ten days after the entry of the order: *Provided, however*, that application for an appeal hereunder shall not stay proceedings in the district court unless the district judge or the Court of Appeals or a judge thereof shall so order.

STATEMENT OF THE CASE

Disputes among the parties relating to electric shavers have resulted in the filing of four federal actions — three of which are relevant here. The first case, "*Windmere*," was filed in 1984 in the Southern District of Florida by Philips alleging patent infringement against Petitioner and its customer, Windmere, and unfair competition against Windmere. Windmere, but not Petitioner, responded with a multiple count antitrust counterclaim. *Windmere* is relevant here because of Petitioner's success in avoiding separate trials on the patent and antitrust claims by representing to the

Windmere court that those claims were inextricably intertwined.

The second case, "*Sears*," in which this appeal arose, was brought by Philips in 1985 in the Northern District of Illinois against Petitioner and its customer, Sears Roebuck & Co. Petitioner filed antitrust counterclaims virtually identical to those filed by Windmere in Florida, and Petitioner then repeatedly ignored the direction of the district court that, in the interests of fairness and judicial economy, Petitioner file its counterclaims with the identical claims being tried in *Windmere*.

The third case, "*Windmere II*," was filed by Petitioner against Philips and Windmere in 1994 in the Southern District of Florida. *Windmere II* is relevant here because Petitioner's complaint alleges — directly contrary to Petitioner's representations to the court in *Sears* — that Petitioner filed its counterclaims in *Sears* only because of an agreement with Windmere to share in any recovery Windmere might receive on its counterclaims *provided* Petitioner filed its counterclaims in *Sears* and not in *Windmere*.

A. Petitioner's First Misrepresentation.

In *Windmere*, Petitioner represented to the district court that the antitrust claims — admittedly identical to those asserted below[1] — and the patent claim required "duplicate proof and witnesses" (App. B, 7), that the antitrust allegations "to a significant degree" encompass the patent issues (App. B, 7), and that the patent and antitrust issues

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[1] Petitioner's brief below referred to its counterclaims as bearing "significant resemblance[]" to the counterclaims in *Windmere*. (Respondents' Appendix, appended hereto, ("App.") A, 2.)

"do, in fact, overlap" (App. B, 9). As a result of these representations, Petitioner successfully defended Philips' effort to have separate trials on Philips' claims and Windmere's antitrust counterclaims.

In proceedings below, however, Petitioner made precisely the opposite representation. In an attempt to avoid its counterclaims in *Sears* from being deemed compulsory to Philips' patent claim in *Windmere*, Petitioner represented that "[p]lainly, the patent and antitrust claims raise different factual and legal issues" (App. A, 3), that the two claims lack any "logical relationship" (App. A, 3), and that the claims "are almost entirely distinct" (App. A, 4).

B. Petitioner's Second Misrepresentation.

Petitioner's second relevant misrepresentation concerns *why* it brought its antitrust counterclaims in *Sears* rather than in the previously filed *Windmere* case. Petitioner represented to the district court in *Sears* that Petitioner brought its antitrust counterclaims in that case rather than in *Windmere* because *Windmere* "was a very small lawsuit . . . . [and *Sears*] is substantial . . . ." (App. C, 13.) Petitioner also addressed the lower court's concern that Petitioner was seeking "a second bite at the apple" by repeatedly assuring the court that Petitioner "had no participation, financially or otherwise, in the litigation of Windmere's antitrust claims" (App. D, 15), that Petitioner "would not have received any of the proceeds of any judgment won by Windmere" (App. E, 18), and that "only Windmere would have received any monetary award" on Windmere's counterclaims (App. F, 20-21 n.13; App. G, 24 n.12).

In *Windmere II*, however, Petitioner seeks recovery from Windmere on the very financial interest in Windmere's antitrust counterclaims which Petitioner told the court in *Sears* it never had. According to Petitioner's complaint:

> In 1985 . . . [Petitioner] approached Defendant Friedson [CEO of Windmere] to discuss [Petitioner] joining in Windmere's antitrust counterclaims against Philips in Florida. Friedson told [Petitioner] that Windmere did not want [Petitioner] to assert antitrust counterclaims in the Florida action. Friedson explained that Windmere was concerned about the effect of anti-Japanese bias on the jury trial of the antitrust counterclaims . . . . In 1985, Friedson made an oral promise to [Petitioner] that if [Petitioner] did not add its antitrust counterclaim to the Florida action . . . Windmere would share with [Petitioner] any substantial payment Windmere received from Philips as a result of its antitrust counterclaims . . . .
>
> But for [Windmere's] promise[], [Petitioner] would have added its antitrust counterclaims to the Florida action.

(App. H, 28.)

Thus in *Windmere II*, Petitioner sues to recover on its financial interest in Windmere's counterclaims arising from a *1985* agreement; yet in *1986* Petitioner assured the district court in *Sears* that Petitioner had "no participation, financially or otherwise" in Windmere's counterclaims, and that Petitioner "would not have received any of the proceeds of any judgment won by Windmere."[2]

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[2] As recently as 1994 Petitioner told the court of appeals that the lower court was "mistaken" and had made "unsupported assumptions" about Petitioner's interest in Windmere's counterclaims. (App. A, 5 & n.15.) Petitioner also represented that "Windmere was the only party that received a monetary benefit" from Windmere's award (App. A, 5) (continued...)

C. The Opinion Below.

The court below addressed the question certified in this interlocutory appeal — whether Petitioner's counterclaims were barred — by reasoning that Petitioner had already, in effect, admitted that the counterclaims were compulsory and obtained an advantage by doing so in *Windmere*. Consequently, the court ruled that Petitioner could not abandon its representation in *Windmere* and then prevail in *Sears* by making precisely the opposite representation.

The court recognized that Petitioner's representation in *Windmere* that the patent claim and antitrust counterclaims require "duplicate proof," to a "significant degree" encompass the same issues, and that the claims "do, in fact, overlap" are directly relevant to whether Petitioner's counterclaims are compulsory under Fed. R. Civ. P. 13(a). Rule 13(a) examines whether the two claims at issue are logically related. *See Warshawsky & Co.* v. *Aracata Nat'l Corp.*, 552 F.2d 1257, 1261-63 (7th Cir. 1977). The court below merely ruled that Petitioner could not prevail in both *Windmere* and *Sears* by making irreconcilably conflicting

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[2](...continued)
while never disclosing to the court that in 1985 Petitioner had entered into a deal to share in that award. Petitioner had no explanation for these irreconcilable inconsistencies when questioned about them in oral argument below. Petitioner has continued its pattern of obfuscation by suggesting in its Petition that its antitrust counterclaims were filed in *Sears* because Petitioner was "[f]aced with the second lawsuit by Philips." (Pet. at 5.) Petitioner's complaint in *Windmere II* asserts to the contrary that Petitioner's counterclaims would have been asserted in *Windmere* "but for" Petitioner's deal to share in Windmere's recovery.

representations regarding the relationship among the patent and antitrust claims.

The court below also cited the fact that the same antitrust claims Petitioner sought to reassert were being tried in *Windmere*, that Petitioner could have asserted its claims there (but for its deal with Windmere, which Petitioner denied in *Sears* and first revealed in *Windmere II*), and that Petitioner ignored the *Sears* court's direction that Petitioner assert its claims in *Windmere*, (Petitioner's Appendix ("Pet. App.") A, 6a). Thus, the court ruled that

> [Petitioner's] interest in these counterclaims was indeed required to be raised by [Petitioner] in [*Windmere*] in which the counterclaims were already being litigated. [Petitioner] does not have the absolute right to litigate the same claims in [*Sears*], having voluntarily removed itself from the [*Windmere*] litigation of these claims, and having declined to comply with the [*Sears*] court's admonition to seek to reenter that litigation.

(Pet. App. A, 6a.)

There can be no dispute about the lower court's finding that Petitioner "played fast and loose with the courts." (Pet. App. A, 9a.)

REASONS FOR DENYING THE WRIT

SUMMARY

Petitioner ignores a simple, crucial and long-standing legal principle: the courts have inherent authority to deal with litigants' misrepresentations — including by dismissal of a claim — regardless of the particular basis for invoking the court's jurisdiction. Thus, the first question presented — whether the court had jurisdiction under 28 U.S.C. § 1292(b)

to invoke judicial estoppel — is irrelevant to the result below. Regardless of whether authority exists under § 1292(b), the court had inherent authority to prevent Petitioner from gaining an advantage by misrepresenting facts to the court. The lower courts' ability to protect the integrity of the judicial process does not stem solely from the statutory basis under which jurisdiction is invoked, but also from the courts' historical inherent powers to dispense justice.

As suggested above, this case bears no relationship to *Yamaha Motor Corp., U.S.A.* v. *Calhoun*, __ U.S. __, 115 S. Ct. 1998 (1995). In *Yamaha*, the court of appeals resolved a certified appeal on choice of law grounds although the certified question raised a completely different issue — the measure of damages under maritime law. Here, the court of appeals answered the question certified — whether Petitioner's counterclaims were barred — although it did so on legal grounds different from, but related to, those chosen by the trial court. The question in *Yamaha* — whether the court may dispose of a certified appeal on grounds not within the certified question — is not implicated here. Unlike in *Yamaha*, the court below answered the certified question by examining Petitioner's factual representations about whether its counterclaims were compulsory — the precise issue certified — and ruled that Petitioner could not disavow its prior admission that the patent and antitrust claims were related.

Petitioner exaggerates the purported "inconsistency" among the courts in employing judicial estoppel. Indeed, lower courts are entirely consistent in the factors they consider when analyzing judicial estoppel, and Petitioner has manufactured discrepancies by comparing decisions which essentially apply the same legal analysis to diverse factual situations. Moreover, this would be an inappropriate case in which to resolve any alleged inconsistencies because all essential factors examined by the courts in applying judicial

estoppel are present here. It would be meaningless for this Court to affirm the result below, but hold that the lower court was not required to evaluate all the factors it did.

I. PETITIONER'S EFFORT TO DEPRIVE THE COURTS IN CERTIFIED APPEALS OF THEIR INHERENT AUTHORITY TO PROTECT THE INTEGRITY OF JUDICIAL PROCEEDINGS SHOULD BE REJECTED.

At base, the first question presented is irrelevant. Regardless of whether the court had authority under § 1292(b) to invoke judicial estoppel, it had the inherent authority to do so to prevent abuse of the judicial system. Petitioner's invitation to prohibit the courts of appeals from dealing with a litigant's duplicity merely because the appeal arose under § 1292(b) should be declined.

The principle embraced by the court below — that a litigant should not be free to make one representation to its advantage in one litigation and then repudiate it to gain an advantage in another — can be traced to early Germanic and Anglo-Saxon law. Robert W. Millar, *The Historical Relation of Estoppel by Record to Res Judicata*, 35 Ill. L. Rev. of N.W. Univ. 41, 45 (1940). As courts have recognized for centuries, the principle is central both to the integrity of the judicial system and to basic notions of fairness.

This Court has long recognized that courts enjoy inherent powers necessary to the "orderly and expeditious disposition of cases" regardless of the statutory basis for jurisdiction. *See Link* v. *Wabash R.R.*, 370 U.S. 626, 630-31 (1962). The Court recently observed that among these inherent powers is "the ability to fashion an appropriate sanction for conduct which abuses the judicial process. As we recognized in *Roadway Express*, outright dismissal of a

lawsuit . . . is within the court's discretion." *Chambers* v. *Nasco, Inc.*, 501 U.S. 32, 44-45 (1991); *see also Hazel-Atlas Glass Co.* v. *Hartford-Empire Co.*, 322 U.S. 238, 246 (1944):

> Surely it cannot be that preservation of the integrity of the judicial process must always wait upon the diligence of litigants. The public welfare demands that the agencies of public justice be not so impotent that they must always be mute and helpless victims of deception and fraud.

See also United States v. *Shotwell Mfg. Co.*, 355 U.S. 233, 240-41 (1957); *Communist Party of the U.S.* v. *Subversive Activities Control Bd.*, 351 U.S. 115, 124-25 (1956).

It is for these very reasons, long a part of judicial tradition, that this Court should not accept Petitioner's invitation to deprive the courts of appeals of the inherent authority to invoke judicial estoppel or employ similar means on interlocutory appeals.

II. UNLIKE THE COURT IN *YAMAHA*, THE COURT BELOW ANSWERED THE CERTIFIED QUESTION BY RELYING ON GROUNDS SQUARELY PRESENTED WITHIN THE QUESTION. *YAMAHA* IS INAPPOSITE.

The court below answered the certified question — whether Petitioner's counterclaims were barred — although on a different but related legal theory than that chosen by the trial court. Judicial estoppel was invoked below to prevent Petitioner from prevailing in two proceedings by making irreconcilable statements of fact that went directly to the question before the court — whether the antitrust counterclaims were compulsory.

Yamaha is inapposite because the court in *Yamaha* never answered the certified question, but resolved the appeal on a wholly distinct legal issue. The issue granted certiorari in *Yamaha* — whether the courts of appeals may "exercise jurisdiction over any question that is within the order that contains the controlling question of law identified by the District Court" — is not implicated here. *See Yamaha*, __ U.S. at __, 115 S. Ct. at 1998.

In briefing below, Philips first argued in great detail that Petitioner had already alleged in *Windmere* — and gained an advantage by doing so — that the patent and antitrust claims were intertwined and that, having done so, Petitioner should not be permitted to avoid the compulsory counterclaim rule by representing precisely the opposite in *Sears*. (*See* App. I, 31-34.) Petitioner's reply brief below devoted significant effort to attempting to explain its conflicting representations and its admissions in *Windmere*. (*See* App. J, 37-40.)

Thus, Petitioner's irreconcilable factual representations were briefed in detail below, *and* Petitioner's factual representations about the relationship of the patent and antitrust claims concerned precisely the critical issue encompassed by the certified question. The court below did no more than hold Petitioner to its word in *Windmere* — in effect that Petitioner's claims were compulsory — and the court did not reach out to decide a question not encompassed by the certified question. The court merely addressed an issue both parties had briefed and which went to the heart of whether Petitioner's counterclaims were compulsory.[3]

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[3] Moreover, as this Court recognized in *United States* v. *Stanley*, 483 U.S. 669, 676 (1987), appeals under § 1292(b) are "*from the order*" of the district court (emphasis added) (quoting § 1292(b)). *See id.* at 677 ("Even if the Court of

(continued...)

III. THE LOWER COURTS' APPLICATION OF JUDICIAL ESTOPPEL IS NOT IN "DISARRAY" AS PETITIONER CONTENDS.

As shown at page 9, *supra*, the doctrine of judicial estoppel, also referred to as estoppel by record, has been applied for centuries. The First, Second, Third, Fourth, Fifth, Sixth, Seventh, Ninth, Eleventh and Federal Circuits agree that judicial estoppel may be invoked to prevent a party who has achieved an advantage by asserting a position in a first case from succeeding in a second case by asserting the opposite position. *Bogle* v. *Phillips Petroleum Co.*, 24 F.3d 758, 762 (5th Cir. 1994); *Warda* v. *Commissioner*, 15 F.3d 533, 538 (6th Cir.), *cert. denied*, __ U.S. __, 115 S. Ct. 55 (1994); *Bates* v. *Long Island R.R.*, 997 F.2d 1028, 1038 (2d Cir.), *cert. denied*, __ U.S. __, 114 S. Ct. 550 (1993); *Kale* v. *Obuchowski*, 985 F.2d 360, 361-62 (7th Cir. 1993); *Guinness PLC* v. *Ward*, 955 F.2d 875, 899 (4th Cir. 1992); *Russell* v. *Rolfs*, 893 F.2d 1033, 1037-39 (9th Cir. 1990), *cert. denied*, 501 U.S. 1260 (1991); *Oneida Motor Freight, Inc.* v. *United Jersey Bank*, 848 F.2d 414, 419 (3d Cir.), *cert. denied*, 488 U.S. 967 (1988); *Chrysler Credit Corp.* v. *Rebhan*, 842 F.2d 1257, 1261 (11th Cir. 1988); *Patriot Cinemas, Inc.* v. *General Cinema Corp.*, 834 F.2d 208, 211-12 (1st Cir. 1987); *U.S. Philips Corp.* v. *Sears Roebuck & Co.*, 55 F.3d 592, 596-97 (Fed. Cir. 1995). The District of Columbia Circuit has elected not to apply judicial estoppel primarily by interpreting state law, *see, e.g., Konstantinidis*

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[3](...continued)
Appeals' jurisdiction is *not confined to the precise question certified by the lower court* (because the statute brings the 'order,' not the question, before the court), that jurisdiction *is* confined to the particular order appealed from") (first emphasis added).

v. *Chen*, 626 F.2d 933, 938 (D.C. Cir. 1980) (refusing to invoke judicial estoppel because "[n]o District of Columbia court has ever adopted the judicial estoppel doctrine"), and the Tenth Circuit's exercise of its discretion not to apply judicial estoppel has been equivocal at best, *see, e.g.*, *Guidry* v. *Sheet Metal Workers Int'l Ass'n, Local No. 9*, 10 F.3d 700, 716 (10th Cir. 1993) ("Without deciding whether the doctrine [of judicial estoppel] applies in the Tenth Circuit, we note the criteria are not satisfied"), *modified on other grounds*, 39 F.3d 1078 (10th Cir. 1994) (en banc), *cert. denied*, __ U.S. __, 115 S. Ct. 1691 (1995).

Thus, the application of judicial estoppel is not in "disarray" as Petitioner contends (Pet. at 10). While the doctrine necessarily is considered in diverse factual circumstances, some involving more egregious conduct than others, there is uniform agreement repeatedly reinforced by this Court that a litigant's duplicity or fraud may be sanctioned by judicial estoppel or otherwise under the court's power to manage its cases and achieve justice. *See, e.g.*, *Chambers*, 501 U.S. at 35 (inherent power of the court to sanction bad faith conduct); *Roadway Express, Inc.* v. *Piper*, 447 U.S. 752, 765 (1980) (dismissal of lawsuit within court's inherent power for abuse of judicial process); *Shotwell Mfg. Co.*, 355 U.S. at 241 (court may sanction "challenge to the integrity of the record").

Moreover, this would be an inappropriate case in which to resolve any alleged inconsistencies in the courts of appeals' application of judicial estoppel. On the facts found below, there can be no dispute that judicial estoppel was employed as it would have been under the law of virtually all circuit courts of appeals. Petitioner's representations to one court directly contradicted its assertions to others, Petitioner obtained an advantage by its assertions in *Windmere*, and it sought to disavow those assertions and represent precisely the opposite to avoid an adverse result in *Sears*. On these facts, Petitioner can hardly feign surprise that judicial estoppel was

invoked to prevent Petitioner from successfully representing to the courts whatever Petitioner deemed useful at the time, regardless of its relationship to the facts.

IV. THIS PETITION TO REVIEW AN INTERLOCUTORY APPEAL INAPPROPRIATELY SEEKS THE RESOLUTION OF DISPUTED FACTUAL ISSUES.

This Court has repeatedly held that certiorari will not be granted to review a question of fact. *Rudolph* v. *United States*, 370 U.S. 269, 270 (1962); *National Labor Relations Bd.* v. *Hendricks County Rural Membership Corp.*, 454 U.S. 170, 176 n.8 (1981); *General Talking Pictures Corp.* v. *Western Elec. Co.*, 304 U.S. 175, 178, *aff'd on reh'g*, 305 U.S. 124 (1938).

Here, Petitioner takes issue with the very basic factual determinations made by the court of appeals. Petitioner disputes that it made any representations in *Windmere* about the patent and antitrust claims, and denies that those representations it did make were relevant to the factual inquiry under the compulsory counterclaim rule (Pet. at 14). The court below resolved these issues against Petitioner by relying on abundant record evidence, and certiorari should not be granted to resolve these and other factual disputes raised by Petitioner.

This also is not the extraordinary case in which certiorari should be granted to review an interlocutory appeal. *See Virginia Military Inst.* v. *United States*, __ U.S. __, 113 S. Ct. 2431, 2432 (1993); *Brotherhood of Locomotive Firemen & Enginemen* v. *Bangor & Aroostock R.R.*, 389 U.S. 327, 328 (1967); *Hamilton-Brown Shoe Co.* v. *Wolf Bros. & Co.*, 240 U.S. 251, 257-58 (1916); *American Constr. Co.* v. *Jacksonville T&K Ry.*, 148 U.S. 372, 378, 384 (1893).

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be denied.

Respectfully submitted,

Garrard R. Beeney
125 Broad Street
New York, New York 10004
(212) 558-4000

Counsel for Respondents

Jay L. Pomerantz
Michael E. Johnson
SULLIVAN & CROMWELL
Of Counsel

October 30, 1995

APPENDIX A

BRIEF FOR APPELLANTS SEARS ROEBUCK & CO.
AND IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA

IN THE
United States Court of Appeals
FOR THE FEDERAL CIRCUIT

Appeal No. 93-1188

U.S. PHILIPS CORPORATION,
Plaintiff/Counterdefendant-Appellee,

and

NORTH AMERICAN PHILIPS CORPORATION and
N.V. PHILIPS GLOEILAMPENFABRIEKEN,
Counterdefendants-Appellees,

v.

SEARS ROEBUCK & CO.,
Defendant/Counterclaimant-Appellant,

and

IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA,
Defendant/Counterplaintiff/Appellant.

On appeal from decisions of the United States District Court for the Northern District of Illinois in 85-CV-5366 entered on December 1, 1987,

December 22, 1987, May 19, 1989,
May 17, 1990 and October 13, 1992 from
Judge Charles P. Kocoras

. . . .

Although Izumi's counterclaim bore significant resemblances to the claim tried by Windmere (which this Court endorsed and the Florida jury accepted on remand), it is broader in scope and seeks different damages — principally the manufacturing profits lost by Izumi as the result of Philips' hampering of rotary shaver sales through both Windmere and other actual or potential distributors. In addition to predatory pricing aimed at sales through Windmere, Izumi's counterclaim focuses principally on Philips' action to cut off Izumi's business at the source through sham litigation in Japan and its foreclosure of the valuable Schick trademark from other potential United States distributors.

. . . .

SUMMARY OF ARGUMENT

1. *Izumi's antitrust counterclaims were not compulsory to U.S. Philips' patent infringement claim.* The district court's ruling that Izumi's antitrust counterclaims are barred because they were compulsory counterclaims in Florida is in error for at least the following three reasons:

(i) Seventh Circuit law examines whether there is a "logical relationship" between plaintiff's claim and defendant's counterclaim to determine if the counterclaim is compulsory. Even if there is a technical relationship, a counterclaim is permissive where it and plaintiff's claim raise largely different legal and factual issues and are governed by

different bodies of law. The legal and factual issues presented by U.S. Philips' patent infringement claim were whether the cutters employed in Izumi shavers manufactured in 1984 infringed the '301 patent, whether that patent was invalid for anticipation or obviousness, and U.S. Philips' damages. By contrast, Izumi's antitrust claims are based principally on sham litigation in Japan, acquisition of the Schick trademark and predatory pricing. The primary factual and legal issues on these claims include whether rotary electric shavers constitute a relevant market, Philips' power to control prices and exclude competition in that market, the circumstances of the Japanese litigation against Izumi in 1978, the motive and effect of the acquisition of the Schick name in 1981, and Philips' pricing policies in response to the entry of the Ronson shavers in 1984. Plainly, the patent and antitrust claims raise different factual and legal issues and are governed by different laws.

. . . .

There are three independent reasons why the district court's compulsory counterclaim ruling was in error. As subsection A shows, Izumi's antitrust claims lack the "logical relationship" to U.S. Philips' patent infringement claim that Seventh Circuit law would require to bar them as compulsory in the Florida case. Subsection B shows that Izumi's antitrust claims could be asserted here under the rule of *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U.S. 661 (1944), where the Supreme Court held that an antitrust claim, even if based on patent misuse, is not compulsory to a suit for patent infringement. Finally, subsection C demonstrates that the district court's ruling is independently erroneous under the rule of *Southern Construction Co.* v. *Pickard*, 371 U.S. 57 (per curiam), that a counterclaim which is compulsory in two pending actions can be prosecuted by the

defendant in either action.[10] *Southern Construction* requires reversal of the district court even if it correctly ruled that Izumi's antitrust claims were compulsory in the Florida case because U.S. Philips concurrently sued Izumi for inducing infringement of the '301 patent in both the Florida and Illinois cases.

. . . .

What is determinative under Seventh Circuit (and general) precedents is that the factual and legal issues between U.S. Philips' patent claim and Izumi's antitrust claims are almost entirely distinct. In Florida, Izumi was sued on a single count of inducing infringement of the '301 patent. The legal and factual issues presented by that claim were limited to (1) whether the Izumi shavers manufactured in 1984 infringed the patent; (2) whether the '301 patent was invalid for obviousness or anticipation; and (3) U.S. Philips' damages, if any.[12]

By contrast, Izumi's antitrust counterclaims involve sham litigation in Japan, foreclosure of the Schick name and predatory pricing, as well as discrimination, disparagement and interference with advertising. The primary factual and legal issues involved in these claims include whether rotary electric shavers constitute a relevant market for antitrust

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[10] The district court's orders ignore this binding Supreme Court precedent.

[12] Izumi also raised a defense, dismissed prior to trial, that the '301 patent was procured by U.S. Philips' inequitable conduct before the United States Patent and Trademark Office ("PTO"). As the district court correctly recognized, the "core of operative facts" on this defense was U.S. Philips' conduct before the PTO during prosecution of the patent. (A9.) Izumi's antitrust claims are not based upon conduct before the PTO.

purposes, the extent of Philips' market power to control prices and exclude competition, the circumstances of N.V. Philips' litigation against Izumi in Japan in 1978, the motives and effect of the acquisition of the Schick name by N.A. Philips in 1981, and N.A. Philips' and N.V. Philips' pricing policies, cost structures and other responses to the entry of the Ronson shavers in 1984.

. . . .

The district court was also mistaken in criticizing Izumi for awaiting the outcome of Windmere's antitrust claim in a supposed attempt to "reap [] the direct benefits" had Windmere succeeded, and obtain "a 'second bite at the apple' in case of Windmere's failure." (A14.) These observations again have nothing to do with the language or policy of Rule 13.[15] The only relevant issue is whether Izumi's antitrust claims were so logically and factually related to U.S. Philips' claim for inducing infringement of the '301 patent that it was required to bring the claims in Florida. Rule 13 looks only to the relationship between those two claims, and has no concern whatever with the relationship between Izumi's present counterclaims and the counterclaims asserted in Florida by a company that happened to be a codefendant.

. . . .

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[15] The district court's unsupported assumptions about Izumi's motives are not correct. When Windmere ultimately prevailed on its antitrust claim, Izumi received no "direct benefit"; Windmere was the only party that received a monetary benefit. Izumi likewise was not seeking "a second bite at the apple" by asserting its counterclaims in the Illinois action. This Illinois case is the first time Izumi has sought compensation for its injuries resulting from Philips' unlawful actions.

CONCLUSION

For all the reasons stated above, this Court should reverse the district court's orders dismissing Izumi's antitrust and pendent state law counterclaims. This Court should further reverse the district court's order reinstating N.A. Philips' unfair competition claims against Sears.

Respectfully submitted,

GARY M. HOFFMAN
CHARLES W. SABER
GABRIELLE S. ROTH
DICKSTEIN, SHAPIRO & MORIN
2101 L Street, N.W.
Washington, D.C. 20037
(202) 785-9700

EDWARD L. FOOTE
WINSTON & STRAWN
35 West Wacker Drive
Chicago, Illinois 60601
(312) 558-5600

Attorneys for Defendants/ Counterclaimant/ Counterplaintiff-Appellants

Of Counsel:

WILLIAM L. ANDROLIA
KODA & ANDROLIA
1880 Century Park East
Los Angeles, CA 90067
(310) 277-1391

January 14, 1994

APPENDIX B

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF FLORIDA

U.S. PHILIPS CORPORATION, NORTH AMERICAN PHILIPS CORPORATION, N.V. PHILIPS GLOEILAMPENFABRIEKEN,	CIVIL ACTION NO. 84-2508 CIV-Aronovitz
Plaintiff/ Counterdefendants,	*DEFENDANTS' MEMORANDUM IN OPPOSITION TO PLAINTIFFS' MOTION TO SEVER COUNTERCLAIMS AND CONSOLIDATE PRELIMINARY INJUNCTION*
v.	
WINDMERE CORPORATION, and IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA,	
Defendant/ Counterplaintiffs.	FLA. BAR NO. 345563

. . . .

Even if Plaintiffs were to suggest that trial of the patent infringement and unfair competition issues be held separately before a jury, such a result would cause a waste of judicial time and impose an undue burden on Defendants in having to duplicate proof and witnesses at those trials, and require the impaneling of two juries. Defendants' Counterclaim, both as to misuse and antitrust violations to a significant degree encompass Plaintiffs' acquisition and use of the patent in suit and false assertion of alleged common law trademark rights as part of Plaintiffs' efforts to restrain legitimate competition and monopolize the relevant market. As part of and in furtherance of their monopolistic practices, Plaintiffs have sought patents with insignificant advances to prevent

competitors from entering the market and to ensure Plaintiffs' oligopolistic position in the market. By necessity Defendants' witnesses and proof on these issues are pertinent to all claims and would be duplicitous in both trials. Defendants' evidence in defense of Plaintiffs' claims of infringement, and particularly unfair competition, would be required to be re-presented in the second trial on Defendants' counterclaims.

To a large degree, Defendants would be required to prepare and present many of the same witnesses a second time. The result would be piecemeal litigation and a waste of judicial time which is contrary to the intent and spirit of Rule 42(b). *Sonobond Corporation* v. *Uthe Technology, Inc.*, 314 F.Supp. 878 (N.D. Calf. 1970) (separate trial on patent validity and misuse defenses denied as unduly burdensome); *Southern Anchor Bolt Company* v. *Atlantic Steel Company*, 96 F.R.D. 15 (S.D. Ga. 1982) (motion to sever Plaintiffs' antitrust claims from Defendants' counterclaims denied). A separate trial should not be granted unless the issue is clearly severable from the other issues in the case and does not involve the same evidence. *Nordberg Manufacturing Company* v. *Barber-Greene Company*, 47 F.R.D. 299 (N.D. Ill. 1968). In the instant case the duplication of evidence and witnesses in a second trial with respect to Defendants' counterclaims compels a finding that a separate trial should not be granted.

Although a motion to sever under Federal Rule of Civil Procedure 42(b) is addressed to the discretion of the Court, such a request must be denied unless it appears that separate trials are necessary and will be conducive to expedition and economy. The burden is upon Plaintiff to show that it will be prejudiced if a separate trial is not granted. 5 J. Moore, *Federal Practice* ¶ 42.03[1], at 42-40 (2d Ed. 1982), *See Barr* v. *Dramatists Guild, Inc.*, 573 F.Supp. 555 (S.D.N.Y. 1983). Plaintiffs have made no such showing in this case. To the contrary, prejudice would result to Windmere if the Motion to Sever was granted. Windmere, a small company

compared to the annual revenues of Plaintiffs, would be required to prepare, and present its claims involving many of the same witnesses in two separate and lengthy trials. Plaintiffs seek to use the vehicle of severed trials as a means of waging a war of attrition against Windmere, a smaller competitor. In this regard, their tactics mirror their posture in the marketplace. Illustratively, Windmere's witnesses which were listed pursuant to Local Rule 14(A)(4) would all be required to participate in each severed trial. The cost to Windmere of having its chief operating officers, David and Belvin Friedson, and its key management personnel, Arnold Thaler, Mel Price and their supporting staff involved in lengthy and severed trials over the course of many months is incalculable. Yet, that is precisely the intended effect sought by Plaintiffs' motion.

The convenience of all parties will not be served by severed trials. Unlike *Components, Inc.* v. *Western Electric Company*, 318 F. Supp. 959 (D.C. Maine, 1970), relied upon by Plaintiffs' patent, trademark and antitrust issues in the instant action do, in fact, overlap. For example, Defendants, as affirmative defenses to the patent and trademark action, have alleged that Plaintiffs have misused the patent in suit and selectively sought to enforce same against smaller and direct competitors, Defendants herein, in an effort to drive such competitors from the marketplace, while simultaneously refraining from enforcement against larger and direct competitors. *See* Windmere's Affirmative Defense 2(B). These issues have also been raised in Windmere's antitrust counterclaim. Trial of the patent and trademark issues and antitrust counterclaim will, therefore, require participation by both patent and antitrust counsel, unlike *Components, Inc.*, *supra*. Lastly, as already discussed here, Defendants are entitled to trial by jury of all issues, including patent, trademark and antitrust, unlike *Components, Inc.*, where the patent issues were scheduled for nonjury trial and the antitrust issues scheduled for jury trial. In *Components, Inc.*,

the court properly concluded that a single trial of all issues would result in the jury needlessly hearing testimony relating to the patent in suit. It is the cost and prejudice to these Defendants and not the convenience of all parties which, therefore, prompts Plaintiffs' motion. The expense, prejudice and duplication of efforts would be inconsistent with the clear intent of Rule 42(b). Accordingly, Plaintiff's motion for separate trials should be denied.

Based on the grounds asserted herein, Plaintiffs' Motion to Sever and Consolidate should be denied. Trial of this cause should be set on an expedited basis in the Fall of 1985 rather than May 13, 1985 to enable discovery of the patent and unfair competition claims as well as counterclaim issues to be adequately completed.

I HEREBY CERTIFY that a true and correct copy of the foregoing was hand-delivered to John R. Kelso, Esquire, Fowler, White, Burnett, Hurley, Banick & Stickroot, P.A., Attorneys for Plaintiffs, Fifth Floor, City National Bank Building, 25 West Flagler Street, Miami, Florida 33130 and mailed to John J. Held, Jr., Esquire, Allegretti, Newitt, Witcoff & McAndrews, Ltd., 125 South Wacker Drive, Chicago, Illinois 60606; and Forrest A. Hainline, III,

Esquire, Pierson, Ball & Dowd, Ring Building, 1200 18th Street, N.W., Washington, D.C. 20036, this 14th day of March, 1985.

HORNSBY & WHISENAND
Attorneys for Windmere Corporation and Izumi Seimitsu Kogyo Kabushiki Kaisha
1110 Brickell Avenue
Penthouse
Miami, Florida 33131
(305) 371-8484

/s/
GARY R. JONES

. . . .

APPENDIX C

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

U.S. PHILIPS CORPORATION, and NORTH AMERICAN PHILIPS CORP.	)	
Plaintiffs,	)	
v.	)	Civil Action
	)	No. 85 C 05366
SEARS ROEBUCK & CO. and IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA,	)	Judge Kocoras
Defendants.	)	

MOTION TO RECONSIDER

Now comes the defendant Izumi and respectfully asks this Court to reconsider its order of December 1, 1987 which granted summary judgment to Philips and against Izumi's antitrust counterclaim. We respectfully suggest that the Court reconsider its prior decision on the grounds that the Court of Appeals in the Federal Circuit has directed that the antitrust complaint of Windmere be tried to a jury. The key facts are as follows:

. . . .

2. Izumi has selected the Chicago case to litigate its counterclaim against Philips. The reason for that is apparent: the case that Philips brought against Izumi in Miami was a

very small lawsuit which did not have sufficient damages to support diversity jurisdiction: it was a patent case that amounted to approximately $6,000.00 in damage to Philips. On the other hand, the case filed by Philips against Izumi in Chicago is substantial. Several patent claims are alleged by Philips directly against Izumi and violations of the Lanham Act and unfair competition are indirectly asserted against Izumi. While it is not easy to predict at this time the actual claim in monetary damages that Philips brings in the Chicago case, it appears that such direct and indirect claims could exceed $500,000.00.

. . . .

Dated: April 26, 1989

OF COUNSEL

William L. Androlia
KODA & ANDROLIA
Suite 519
1880 Century Park, East
Los Angeles, CA 90067
(213) 781-9470

Respectfully submitted,
WINSTON & STRAWN

/s/_____
Edward L. Foote
Suite 5000
1 First National Plaza
Chicago, Illinois 60603
(312) 558-5600

DICKSTEIN, SHAPIRO & MORIN

/s/_____
Gary M. Hoffman
Charles W. Saber
8300 Boone Blvd., Suite 800
Vienna, Virginia 22182
(703) 847-9190

Attorneys for Defendant Izumi Seimitsu Kogyo Kabushiki Kaisha

APPENDIX D

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

U.S. PHILIPS CORPORATION,	:	
Plaintiff,	:	
v.	:	Civil Action No. 85 C 05366
SEARS ROEBUCK AND CO., and IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA,	:	Judge Charles P. Kocoras
Defendants,	:	
AND RELATED COUNTERCLAIMS	:	

IZUMI'S COUNTERSTATEMENT OF FACTS IN OPPOSITION TO COUNTERDEFENDANTS' MOTIONS TO DISMISS OR FOR PARTIAL SUMMARY JUDGMENT

. . . .

13. Windmere, *but not Izumi*, filed antitrust and related counterclaims, alleging violations of Sections 1 and 2 of the Sherman Act, Section 7 of the Clayton Act, the Robinson-Patman Act, the Antidumping Act of 1916 and interference with Windmere's contracts with the television networks. These allegations focused primarily on the Philips companies' pricing and other responses to Windmere's own marketing efforts beginning in 1984. At trial, Windmere sought

damages only from the time it actually entered the market in 1984. Windmere was separately represented by Winston & Strawn in the litigation of its antitrust claims. Izumi had no participation, financially or otherwise, in the litigation of Windmere's antitrust claims.

. . . .

Dated: September 2, 1986

Respectfully submitted,

DICKSTEIN, SHAPIRO & MORIN

By /s/
Robert J. Higgins
James vanR. Springer
Gary M. Hoffman
Charles W. Saber
2101 L Street, N.W.
Washington, D.C. 20037
(202) 785-9700

Of Counsel:

William L. Androlia
KODA & ANDROLIA
1880 Century Park, East
Suite 519
Los Angeles, California 90067
(213) 781-9470

Donald Welsh
Roger D. Greer
WELSH & KATZ
135 South LaSalle South
Chicago, Illinois 60603
(312) 781-9470

Attorneys for Izumi Seimitsu Kogyo Kabushiki Kaisha

APPENDIX E

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

U.S. PHILIPS CORPORATION,	:	
Plaintiff,	:	
v.	:	Civil Action No. 85 C 05366
SEARS ROEBUCK AND CO., and IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA,	:	Judge Charles P. Kocoras
Defendants,	:	
AND RELATED COUNTERCLAIMS	:	

OPPOSITION TO NORTH AMERICAN PHILIPS', U.S. PHILIPS' AND N.V. PHILIPS' MOTIONS TO DISMISS OR FOR PARTIAL SUMMARY JUDGMENT ON IZUMI'S COUNTERCLAIMS

. . . .

In *TRW, Inc.* v. *Ellipse Corp.*, 495 F.2d 314, 317 (7th Cir. 1974), the Court of Appeals held that privity may arise only where there is a "concurrent relationship to the same right of property, successive relationship to the same right of property, or representation of the interests of the same

person." *See also Local 1006, American Fed. of State, County and Munic. Employees* v. *Wurt*, 558 F. Supp. 230, 235 (N.D. Ill. 1982), *aff'd*, 746 F.2d 1483 (7th Cir. 1984) ("privity exists when assets and property rights are transferred"). In *TRW*, Ellipse first successfully sued Ford Motor Company, alleging that Ford's power-steering pumps infringed its patent. Ford had bought many of the infringing pumps from TRW pursuant to an indemnification agreement requiring TRW to pay any judgment for patent infringement. TRW, which had not been a party in the first proceeding, then filed its own declaratory judgment action, challenging the validity of the patent. The Seventh Circuit rejected Ellipse's argument that the suit was barred by *res judicata*, holding that privity could not be established on the basis of the contractual relationship between TRW and Ford because "certainly there is no question of representation of the interests of the same party, and furthermore, there is no relationship (either concurrent or successive) arising from the general doctrine of privity of estate." 495 F.2d at 318.[25]

---

[25] The Court of Appeals distinguished many of the same relationships relied upon by counterdefendants — shareholder/corporation; father/son; and privity of estate (lessor/lessee, etc.). 495 F.2d at 318. It further held that TRW's participation in the first case, observing the proceedings and submitting *amicus curiae* briefs, was insufficient participation "to render applicable the doctrine of *res judicata*." *Id.* Izumi's situation here is *a fortiori* because it had no participation at all in the prosecution of Windmere's antitrust claims.

Other courts concur that a contractual relationship does not establish privity. *Bryson* v. *Guarantee Reserve Life Ins. Co.*, 520 F.2d 563, 567 (8th Cir. 1975); *Putnam Mills Corp.* v. *United States*, 479 F.2d 1334, 1340 (Ct. Cl. 1973); *see* 18

(continued...)

TRW had a contract with Ford to sell power-steering pumps. Izumi had a contract with Windmere to sell electric shavers.[26] Although TRW had to pay any judgment against Ford, it was not in privity. Here, of course, Izumi had even less involvement because it would not have received any of the proceeds of any judgment won by Windmere on its antitrust claims.

. . . .

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[25](...continued)

Wright & Miller, Federal Practice & Procedure § 4460 at p. 529 (1981) ("Parties on opposite sides of a contract ordinarily do not have authority to bind each other by litigation with third parties").

[26] NAPC's and U.S. Philips' argument that "Izumi, a supplier to Windmere * * *, stands in precisely the same position as a stockholder who is in effect a supplier of capital to the corporation" (NAPC Mem. 14) is senseless on its face. A shareholder's injury is based entirely on the value of his stock in the corporation. This is not true with respect to third parties, like Izumi, who simply have contractual dealings with the corporation. Moreover, *TRW* completely refutes NAPC's and U.S. Philips' strained analogy.

CONCLUSION

For all the foregoing reasons, counterdefendants' motions to dismiss or alternatively for summary judgment should be denied in full.

Dated: September 2, 1986

Respectfully submitted,

DICKSTEIN, SHAPIRO & MORIN

By /s/
Robert J. Higgins
James vanR. Springer
Gary M. Hoffman
Charles W. Saber
2101 L Street, N.W.
Washington, D.C. 20037
(202) 785-9700

Of Counsel:

William L. Androlia
KODA & ANDROLIA
1880 Century Park, East
Suite 519
Los Angeles, California 90067
(213) 781-9470

Donald Welsh
Roger D. Greer
WELSH & KATZ
135 South LaSalle South
Chicago, Illinois 60603
(312) 781-9470

Attorneys for Izumi Seimitsu Kogyo Kabushiki Kaisha

APPENDIX F

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

U.S. PHILIPS CORPORATION,	)	
	)	
Plaintiff,	)	
	)	
v.	)	Civil Action No.
	)	85 C 05366
SEARS ROEBUCK & CO. and	)	
IZUMI SEIMITSU KOGYO	)	Judge Charles P.
KABUSHIKI KAISHA,	)	Kocoras
	)	
Defendants.	)	
	)	

MEMORANDUM IN SUPPORT OF
IZUMI'S MOTION FOR RECONSIDERATION

. . . .

Izumi has yet to have its day in court on its antitrust claims.[13] Philips, on the other hand, has created two

---

[13] In its opinion, the Court asserts that "had Windmere prevailed on its antitrust counterclaims, Izumi would have reaped the direct benefits * * *." (Mem. Op. 13). That simply is not so. Izumi would have received no legal benefits because it was not a party to Windmere's claim. Only (continued...)

lawsuits by suing Izumi in two different forums for inducing infringement of the same patent and took no steps to prohibit Izumi from prosecuting its claims here until after the trial in Florida. Izumi should be permitted to pursue its antitrust counterclaims in this lawsuit.

. . . .

---

[13](...continued)

Windmere would have received any monetary award or the benefit of any injunctive relief. From a business view point, Izumi would likewise have received no benefit because the undisputed evidence in Florida was that Windmere, which had existed the rotary shaver business, would not have reentered the market even if it had prevailed on its claim. (Exhibit 6). The simple truth is that Izumi can only benefit if it is permitted to proceed in this lawsuit. Thus, Izumi's antitrust counterclaims are not its "second bite at the apple" (Mem. Op. 13), but its first and only attempt to raise its claims.

CONCLUSION

For all the foregoing reasons, the Court should reconsider its decision and deny Philips' motions for partial summary judgment.

Dated: December 17, 1987

Respectfully submitted,

DICKSTEIN, SHAPIRO & MORIN

/s/_____
Robert J. Higgins
Gary M. Hoffman
Charles W. Saber
2101 L Street, N.W.
Washington, D.C. 20037
(202) 785-9700

WELSH & KATZ, LTD.

/s/_____
Donald Welsh
Roger Greer
135 South LaSalle Street
Suite 1625
Chicago, Illinois 60603

Attorneys for Izumi Seimitsu Kogyo Kabushiki Kaisha

OF COUNSEL

William L. Androlia
KODA & ANDROLIA
1880 Century Park, East
Suite 519
Los Angeles, California 90067

APPENDIX G

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

U.S. PHILIPS CORPORATION, and NORTH AMERICAN PHILIPS CORP.	)	
Plaintiffs,	)	
v.	)	Civil Action
	)	No. 85 C 05366
SEARS ROEBUCK & CO. and IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA,	)	Judge Kocoras
Defendants.	)	

MEMORANDUM IN SUPPORT OF IZUMI'S MOTION FOR RECONSIDERATION

. . . .

Izumi has yet to have its day in court on its antitrust claims.[12] Philips, on the other hand, has created two lawsuits by suing Izumi in two different forums for inducing infringement of the same patent and took no steps to prohibit Izumi from prosecuting its claims here until after the trial in

---

[12] In its opinion, the Court asserts that "had Windmere prevailed on its antitrust counterclaims, Izumi would have reaped the direct benefits * * *." (Mem. Op. 13). That simply is not so. Izumi would have received no legal benefits because it was not a party to Windmere's claim. Only Windmere would have received any monetary award or the benefit of any injunctive relief. From a business view point, Izumi would likewise have received no benefit because the undisputed evidence in Florida was that Windmere, which had exited the rotary shaver business, would not have reentered the market even if it had prevailed on its claim. (Exhibit 4). The simple truth is that Izumi can only benefit if it is permitted to proceed in this lawsuit. Thus, Izumi's antitrust counterclaims are not its "second bite at the apple" (Memo. Op. 13), but its first and only attempt to raise its claims.

Florida. Izumi should be permitted to pursue its antitrust counterclaims in this lawsuit.

. . . .

Dated: April 14, 1989

Respectfully submitted,

WINSTON & STRAWN

/s/_____
Edward L. Foote
Suite 5000
1 First National Plaza
Chicago, Illinois 60603
(312) 558-5600

DICKSTEIN, SHAPIRO
& MORIN

/s/_____
Gary M. Hoffman
Charles W. Saber
8300 Boone Blvd., Suite 800
Vienna, Virginia 22182
(703) 847-9190

Attorneys for Defendant Izumi Seimitsu Kogyo Kabushiki Kaisha

OF COUNSEL
William L. Androlia
KODA & ANDROLIA
Suite 519
1880 Century Park, East
Los Angeles, California 90067
(213) 781-9470

APPENDIX H

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

KABUSHIKI KAISHA IZUMI SEIKI SEISAKUSHO, a Japanese corporation, Plaintiff, vs. WINDMERE CORPORATION, a Florida Corporation; U.S. PHILIPS CORPORATION, a Delaware Corporation; NORTH AMERICAN PHILIPS CORPORATION, a Delaware Corporation; N.V. Philips Gloeilampenfabrieken, a Netherlands corporation; DAVID M. FRIEDSON, an individual Defendants.	---CIV--- Case No. [94-0803-CIV-MOORE] ---CR--- Magistrate Judge [Turnoff] COMPLAINT FOR: (1) BREACH OF CONTRACT; (2) BREACH OF CONTRACT; (3) PROMISSORY ESTOPPEL; (4) BREACH OF CONTRACT; (5) BREACH OF CONTRACT; (6) FRAUD AND MISREPRESENTATION; (7) INTENTIONAL INTERFERENCE WITH CONTRACTUAL RELATIONS;

(8) CONSPIRACY TO INTENTIONALLY INTERFERE WITH CONTRACTUAL RELATIONS
(9) CONSPIRACY;
(10) BREACH OF FIDUCIARY DUTY; AND
(11) FRAUD AND DECEIT

DEMAND FOR JURY TRIAL

Plaintiff Kabushiki Kaisha Izumi Seiki Seisakusho, for its Complaint alleges, upon personal knowledge with respect to itself and its own acts, and upon information and belief with respect to all other matters, as follows:

. . . .

45. In 1985, before Izumi filed antitrust counterclaims in Illinois and after Windmere had filed its antitrust counterclaims in Florida, Izumi approached Defendant Friedson to discuss Izumi joining in Windmere's antitrust counterclaims against Philips in Florida. Friedson told Izumi that Windmere did not want Izumi to assert antitrust counterclaims in the Florida action. Friedson explained that Windmere was concerned about the effect of anti-Japanese bias on the jury trial of the antitrust counterclaims. Friedson threatened that Windmere would cease doing business with Izumi if Izumi added its antitrust counterclaims in the Florida action.

46. In 1985, Friedson made an oral promise to Izumi that if Izumi did not add its antitrust counterclaims to the Florida action and if Windmere received a substantial

payment from Philips related to its antitrust counterclaims against Philips, then Windmere would share with Izumi any substantial payment Windmere receives from Philips as a result of its antitrust counterclaims against Philips, such amount to cover the costs and expenses Izumi incurred in defending Windmere in Florida and an additional amount. In reliance on Friedson's promise, Izumi brought its antitrust counterclaims against Philips in the Illinois district court on August 30, 1985.

. . . .

54. Izumi, in reliance on the promises Friedson made in 1985 and 1989 while apparently acting on behalf of Windmere, pursued its antitrust counterclaims in Illinois. But for the 1985 and 1989 promises, Izumi would have added its antitrust counterclaims to the Florida action. As a result of Izumi's reliance on Windmere's promises, Izumi did not add its antitrust counterclaims to the Florida action where Windmere's antitrust counterclaims were pending and now Izumi may have forever lost its right to pursue its antitrust counterclaims against Philips and may never have an opportunity to recover the damages it believes it has suffered as a result of Philips' antitrust violations. Izumi believes and is informed that the antitrust damages inflicted by Philips on Izumi have been substantial.

. . . .

Dated: April 21, 1994

Respectfully submitted,

By /s/_____
Jack S. Graff
Florida Bar No. 030624
Spensley Horn Jubas & Lubitz
4225 Executive Square
Suite 1400
La Jolla, CA 92037-1487
(619) 455-5100

Attorneys for Plaintiff

LOCAL COUNSEL:

/s/_____
John T. Kolinski
Florida Bar No. 307971
Shutts & Bowen
1500 Miami Center
201 S. Biscayne Boulevard
Miami, FL 33131

Attorneys for Plaintiff

Stuart Lubitz
Michael J. Newton
David Victor
Spensley Horn Jubas & Lubitz
1880 Century Park East
Fifth Floor
Los Angeles, CA 90067-1605
(310) 553-5050

Attorneys for Plaintiff

APPENDIX I

BRIEF OF APPELLEES U.S. PHILIPS CORPORATION, NORTH AMERICAN PHILIPS CORPORATION AND N.V. PHILIPS GLOEILAMPENFABRIEKEN

IN THE

United States Court of Appeals

FOR THE FEDERAL CIRCUIT

Appeal No. 93-1188

U.S. PHILIPS CORPORATION,
Plaintiff/Counterdefendant-Appellee,

and

NORTH AMERICAN PHILIPS CORPORATION and N.V. PHILIPS GLOEILAMPENFABRIEKEN,
Counterdefendants-Appellees,

—v.—

SEARS ROEBUCK & CO.,
Defendant/Counterclaimant-Appellant,

and

IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA,
Defendant/Counterplaintiff-Appellant.

ON APPEAL FROM DECISIONS OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS in No. 85-CV-5366 entered on December 1, 1987, December 22, 1987, May 19, 1989, May 17, 1990 and October 13, 1992
Honorable Charles P. Kocoras, Presiding

. . . .

Contrary to its position here that the claims are distinct, Izumi asserted in *Windmere* that Philips' patent claim and Windmere's antitrust claim, identical to that asserted by Izumi here (*compare* A85-94 *with* A179-88), arose out of the same transaction and could not be separated. In a written submission opposing Philips' motion to sever, Izumi claimed that:

> [severance of the patent and antitrust claims] would cause a waste of judicial time and impose an undue burden on [Izumi and Windmere] in having to *duplicate proof and witnesses at those trials* . . . . [Izumi's and Windmere's] Counterclaim, both as to misuse and antitrust violations *to a significant degree* encompass [Philips'] acquisition and use of the patent in suit and false assertion of alleged common law trademark rights *as part of* [Philips'] efforts to restrain legitimate competition and monopolize the relevant market. (emphasis added)
>
> . . .
>
> [P]atent, trademark and antitrust issues in the instant action do, in fact, overlap. For example, [Izumi and Windmere], as affirmative defenses to the patent and trademark action, have alleged that [Philips] ha[s] misused the patent in suit and selectively sought to enforce same against smaller and direct competitors . . . in an effort to drive such competitors from the

marketplace . . . . These issues have also been raised in Windmere's antitrust counterclaim (A278-79).

In oral argument, Izumi's counsel (the same counsel representing Izumi here) told the *Windmere* court:

> There is an interface between the antitrust issue and the trademark issue . . . part of [Philips'] monopolization . . . has been the obtaining of design patents, the attempt to obtain trademarks . . . to totally exclude competition (A293).
>
> How [the antitrust counterclaim and Philips' claims] relate is [that] the alleged trademark, the design patent, [and] the intellectual property issue *is one aspect of [Philips'] overall plan to monopoliz[e]* and control this market . . . (A295) (emphasis added).[4]

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[4] It is both misleading and unfair of Izumi to accuse Philips of "duplicity" (Iz. Br. 27) because Philips quoted Izumi's written submission in an earlier brief to demonstrate that Izumi had taken the position that its patent misuse defense in *Sears* was quite limited. It is absurd to claim that Philips "adopt[ed] and rel[ied] upon" (*id.*) Izumi's position by quoting it, when Philips did so for no reason other than to demonstrate that this was Izumi's position (A296-305). Moreover, Philips did not previously represent "that Izumi's antitrust claims were permissive counterclaims" (Iz. Br. 11), but merely referred to the counterclaim as permissive in a report to the court which reflected "discussions with counsel for Sears . . . and Izumi" (A107). Thereafter, Philips filed a motion asserting that Izumi's counterclaim was compulsory in *Windmere* (A1). Izumi also contends that Philips' motion on the order of proof at the *Windmere* trial constitutes an argument that "antitrust claims were entirely separate from the intellectual property issues" (Iz. Br. 26 n.16); Philips' (continued...)

Although consistently and vehemently arguing in *Windmere* that Philips' patent claim involves "one aspect" of the theory that Philips monopolized, that Philips' patent prosecution was "part of" the monopolization claim, and that the patent and antitrust claims "duplicate proof and witnesses," Izumi nevertheless chose not to assert its counterclaim in *Windmere*, and now argues that the claims are distinct.

Both the *Windmere* and *Sears* courts, however, recognized that Philip's claim in *Windmere* and Izumi's counterclaim here arise out of the same disputed issue. In *Sears*, the Court concluded:

> The basic controversy between Izumi and [Philips] is whether the large market share enjoyed by [Philips] is the result of lawful use of the '301 patent (Philips' claim) or an unlawful attempt to monopolize the rotary electric shaver market (Izumi's counterclaim) (A13).

Although Izumi claims that the district court's conclusion was "erroneous" and without "record support" (Iz. Br. 18), the court's view is fully in accord not only with Izumi's prior representations in *Windmere*, but also with the conclusion reached by the district court in *Windmere* concerning Izumi's affirmative defense:

> Defendants [Windmere and Izumi] allege . . . that [Philips] used their ['301] patent to further their plan to restrain trade and force Windmere out of the rotary shaver market. They allege that [this] lawsuit is a 'competitive ploy,' . . . [and] contend that [Philips'

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[4](...continued)

motion, however, had nothing to do with the issues being "separate," but rather was intended to allow Philips to put on its case without interference from evidence of alleged antitrust violations.

'301] patent is being enforced in order to restrain trade (A308-309).

Both courts were correct, and Izumi's earlier position that separating the patent and antitrust claims "would cause a waste of judicial time and impose an undue burden" on the parties belies its assertion here.

In addition to the fact that Philips' claims in *Windmere* and Izumi's antitrust counterclaim in *Sears* arise out of the same transaction, several details of Izumi's counterclaim specifically rely on matters involved in *Windmere*. For example, one significant aspect of Izumi's counterclaim in *Sears* consists of an allegation that Philips' claim in *Windmere* constitutes "sham litigation" in an effort to monopolize (A130-31). Izumi's counterclaim also alleges that Philips has used the patent on which the *Windmere* claim is based as part of a "continuing scheme to dominate and to control the market" (A123). Izumi's affirmative defense in *Windmere* raised the identical issue (A271). Moreover, by pleading in *Windmere* that Philips misused its patent to "extend [its] monopoly," Izumi relied on the same monopolization law invoked by its claim here. *See Litton Indus. Prods. Inc.* v. *Solid State Sys. Corp.*, 755 F.2d 158, 166, 225 U.S.P.Q. 34, 39-40 (Fed. Cir. 1985) (*Walker Process* claim that patent was misused is based on law under § 2 of the Sherman Act). Thus, contrary to Izumi's assertion (Iz. Br. 18-19), Izumi's counterclaim here and its affirmative defense in *Windmere* rely on similar assertions and involve identical law.

. . .

CONCLUSION

For the foregoing reasons, the orders of the district court dismissing Izumi's counterclaim and reinstating Philips' unfair competition claim should be affirmed.

Respectfully submitted,

SHELDON KARON
STANLEY C. NARDONI
KECK MAHIN & CATE
77 West Wacker Drive
Chicago, Illinois 60606
(312) 634-7700

GARRARD R. BEENEY
JOHN L. HARDIMAN
JAY L. POMERANTZ
SULLIVAN & CROMWELL
125 Broad Street
New York, New York 10004
(212) 558-4000

Attorneys for Appellees
the Philips Companies

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APPENDIX J

REPLY BRIEF FOR APPELLANTS SEARS ROEBUCK & CO. AND IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA

IN THE

United States Court of Appeals

FOR THE FEDERAL CIRCUIT

Appeal No. 93-1188

U.S. PHILIPS CORPORATION,
Plaintiff/Counterdefendant-Appellee,

and

NORTH AMERICAN PHILIPS CORPORATION and N.V. PHILIPS GLOEILAMPENFABRIEKEN,
Counterdefendants-Appellees,

v.

SEARS ROEBUCK & CO.,
Defendant/Counterclaimant-Appellant,

and

IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA,
Defendant/Counterplaintiff/Appellant.

On appeal from decisions of the United States District Court for the Northern District of Illinois in 85-CV-5366 entered on December 1, 1987, December 22, 1987, May 19, 1989, May 17, 1990 and October 13, 1992 from Judge Charles P. Kocoras

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. . . .

The remainder of Philips' compulsory counterclaim argument is devoted to accusations that Izumi somehow admitted in Florida that its present antitrust claims would be compulsory to the patent infringement claim, and that Izumi, apparently with the cooperation of Windmere, had a grand scheme to create multiple litigation of their antitrust claims.

The short answer to Philips' "admission" argument is that Philips, the defendants, and the Florida district court judge *all* expressly recognized that Windmere's antitrust counterclaims (which Philips characterizes as the same as Izumi's antitrust counterclaims) were *permissive* counterclaims to all of Philips' intellectual property claims. (A207-08, 219-20, 225, 228-29.)[5] Moreover, Philips mischaracterizes the context of the Florida severance proceedings. At the hearing, Philips' counsel made clear that Philips was only seeking severance between the unfair competition claim and antitrust claim. Thus, the alleged

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[5] While not denying that it submitted a pleading to the Illinois court stating *in three places* that Izumi's antitrust claims (brought in response to the same '301 patent asserted in Florida) are *permissive*, Philips tries to avoid its own admissions by contending that it was merely "a report to the court which reflected 'discussions with counsel for Sears . . . and Izumi.'" (Ph. Br. 8 n.4 (quoting A107).) *Philips* submitted the "report" which *never* says that it is only reporting Sears' and Izumi's opinions.

"admissions" necessarily related only to claims and defenses to which Izumi was not a party. (A210, 215.)[6]

Philips' version of what went on in Florida falsely characterizes Windmere and Izumi as a single entity and blurs the Florida patent and unfair competition claims to imply that both were brought against Izumi. Izumi was sued only on the '301 patent, and its affirmative defense was much narrower than the defenses raised by Windmere, which was also sued for unfair competition. (*Compare* A271-72 *with* A412-15, 416.)[7] It is entirely inaccurate to portray Izumi's

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[6] Philips also mischaracterizes the outcome of its severance motion to create the false impression that Windmere and/or Izumi obtained a significant advantage. Philips claims that its "motion was unsuccessful" and "[a]lmost two years of discovery followed" before the 1986 trial. (Ph. Br. xxxi.) But the record shows that at the conclusion of the August 30, 1985 hearing on Philips' motion, the parties *agreed* to a schedule where discovery on all claims would take place over the next 3 1/2 *months*, and the trial would occur shortly thereafter. (A398-404.)

[7] It is particularly unconscionable for Philips to imply that Izumi was involved in the unfair competition claim. As part of the Philips/Windmere settlement, Philips and Windmere moved to vacate the unfair competition claim and convinced this Court that Izumi, as a nonparty to the unfair competition claim, did not have standing to object to the motion to vacate. *U.S. Philips Corp.* v. *Windmere Corp.*, 971 F. 2d 728, 730-31, 23 USPQ2d 1709, 1710-11 (Fed. Cir. 1992), *cert. dismissed*, 114 S. Ct. 425 (1993).

The unfair competition claim has no legal bearing on the compulsory counterclaim rule, which is based on the doctrine of *res judicata*. *Switzer Bros., Inc.* v. *Locklin*, 207 F.2d 483, (continued...)

Florida defense as an antitrust defense.[8] Rather, it alleged only that the '301 patent was "invalid and unenforceable" by reason of inequitable conduct consisting of (1) "fail[ure] to deal with the Patent and Trademark Office [("PTO")] with full candor and good faith" and (2) "incorrect and/or misleading statements and arguments made to the United States Patent and Trademark Office during the prosecution of the patent application that resulted in the patent in issue." (A271-72.) Even the court below recognized that Izumi's defense was only inequitable conduct, which it found "completely unrelated" to Izumi's antitrust counterclaims. (A9-10.)

Philips' notion of a grand scheme "to have the identical antitrust claim against Philips tried twice" (Ph. Br. 10), is both legally irrelevant and devoid of factual support. Philips' argument is based upon a contention that a counterclaim which is otherwise permissive becomes compulsory because

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[7](...continued)

488 (7th Cir. 1953), *cert. denied*, 347 U.S. 912 (1954). In *Montana* v. *United States*, 440 U.S. 147 (1979), the Court explained that *res judicata* cannot bar a person who has controlled the actual litigation of an issue to which he was not strictly a party because "the cause of action which a nonparty has vicariously asserted differs by definition from that which he subsequently seeks to litigate in his own right." *Id.* at 154.

[8] Philips is not even consistent in its own brief. Sometimes it asserts that Izumi's defense was "identical" to its antitrust counterclaims (Ph. Br. 4, 10, 15, 17), while at other times, it states that Izumi's defense is only "a part" of its antitrust counterclaims (Ph. Br. 2, 14, 20).

a co-defendant happens to file a related counterclaim.[9] Philips points to no authority that the applicability of Rule 13(a) is in any way affected by the claims filed by a co-defendant. Thus, even if everything Philips said were correct, it would not matter because the only relevant inquiry is the relationship between Philips' Florida patent claim and Izumi's antitrust counterclaims.[10]

. . . .

---

[9] Philips' assertion that Windmere's and Izumi's antitrust claims are the same is a significant overstatement. Windmere tried its antitrust claim by focusing on Philips' response to Windmere's 1984 market entry. Izumi's antitrust claims rely to a large degree on activities prior to Windmere's entry.

[10] Philips' contention that Izumi would have asserted a *res judicata* bar against Philips upon a Windmere antitrust victory — a linchpin of its grand scheme argument — is legally incorrect. If Philips has correctly characterized Izumi as a "wait and see" plaintiff, the Supreme Court's decision in *Parklane Hosiery Co.* v. *Shore*, 439 U.S. 322, 330 (1979), would preclude such a plaintiff from using offensive collateral estoppel.

Respectfully submitted,

GARY M. HOFFMAN
CHARLES W. SABER
GABRIELLE S. ROTH
DICKSTEIN, SHAPIRO & MORIN
2101 L Street, N.W.
Washington, D.C. 20037
(202) 785-9700

EDWARD L. FOOTE
WINSTON & STRAWN
35 West Wacker Drive
Chicago, Illinois 60601
(312) 558-5600

Attorneys for Defendants/ Counterclaimant/ Counterplaintiff-Appellants

Of Counsel:

WILLIAM L. ANDROLIA
KODA & ANDROLIA
1880 Century Park East
Los Angeles, CA 90067
(310) 277-1391

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Supreme Court, U.S.
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No. 95-518

IN THE
Supreme Court of the United States
OCTOBER TERM, 1995

IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA,
Petitioner,
v.
U.S. PHILIPS CORPORATION,
NORTH AMERICAN PHILIPS CORPORATION and
N.V. PHILIPS GLOEILAMPENFABRIEKEN,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY BRIEF FOR PETITIONER

Of Counsel:
JAMES VANR. SPRINGER
DICKSTEIN, SHAPIRO
& MORIN, L.L.P.
WILLIAM L. ANDROLIA
KODA & ANDROLIA
1880 Century Park East
Los Angeles, California 90067
(310) 277-1391

GARY M. HOFFMAN
(Counsel of Record)
CHARLES W. SABER
GABRIELLE S. ROTH
DICKSTEIN, SHAPIRO
& MORIN, L.L.P.
2101 L Street, N.W.
Washington, D.C. 20037
(202) 785-9700
Attorneys for Petitioner
Izumi Seimitsu Kogyo
Kabushiki Kaisha

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IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA,
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On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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REPLY BRIEF FOR PETITIONER

In accusing Petitioner Izumi of "duplicity," "misrepresentation," "obfuscation," assault on "the integrity of the judicial process," "abuse of the judicial system," "deception" and "fraud," the Philips Respondents' Brief in Opposition stoops to a level of mudslinging that has no place in this or any other Court and has no basis in any of the decisions below.[1] We trust that the Court will

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[1] That these charges are unfounded is evidenced by the fact that there is not a word in either the District Court or the Court of Appeals opinion suggesting any basis for them. The Court of Appeals majority opinion merely found judicial estoppel, which carries no suggestion of turpitude. Senior Circuit Judge Friedman's dissent disagreed with even that characterization and would have reversed on the ground that Izumi is entitled to assert its counterclaim in the present Illinois action as a matter of law. The District

ignore this irrelevant rhetoric and recognize that the Brief in Opposition says nothing that fairly detracts from the straightforward nature of the questions presented and their certworthiness.

1. Philips' claim that the Court of Appeals did decide the question certified under § 1292(b) (Opp. at 10-11) is contradicted by the majority opinion's explicit acknowledgment (underscored by the dissent) that it was *not* answering that question. The majority acknowledged that "the Illinois [district] court did not mention" the judicial estoppel theory on which the majority was relying, and justified its use of that new theory by asserting the proposition that is the subject of the Petition's first question:

> Appellate review of the interlocutory order is not confined to the precise questions certified by the district court . . . . "[T]he nature and scope of our review are not limited to the certified question . . . ."

(Pet. App. A, 9a). The dissent pointedly objected that the majority opinion did not address the certified question. (Pet. App. A, 15a, 18a).

Indeed, Philips could only make its argument by incorrectly characterizing the certified question as whether Izumi's "counterclaims were barred" (Opp. at 6, 10), when in fact, the certified question was whether the counterclaims were barred by the compulsory counterclaim rule. Thus, the first question presented by the Petition is precisely the question raised by this Court *sua sponte* in *Yamaha Motor Corp., U.S.A. v. Calhoun* (No. 94-1387), 115 S. Ct. 1998 (1995).

2. The notion that the Court of Appeals' reliance on judicial estoppel was an exercise of that court's inherent

---

Court, which has heard repeated attacks of this nature from Philips during the course of this litigation, gave them no credence when it based its decision entirely on an interpretation (which we and the dissent contend was incorrect) of Fed. R. Civ. P. 13(a).

disciplinary power (Opp. at 9-10) is equally at odds with the opinions below. There was no suggestion below that the Court of Appeals was purporting to impose any sanction for "bad faith" or "abuse of judicial process" or anything of the kind.[2] Quite to the contrary, the Court of Appeals explained that judicial estoppel "is an equitable principle that holds a party to a position on which it prevailed, as against later litigation arising from the same events." (Pet. App. A, 8a).[3] The majority invoked judicial estoppel as an alternative ground because it believed—erroneously in our view—that it had the authority to decide a § 1292(b) appeal on a basis different from the certified question, not as an exercise of its inherent disciplinary power.[4]

---

[2] The fact that the Court of Appeals verbally equated judicial estoppel with "playing fast and loose with the courts" does not mean that it viewed Izumi's assertion of its counterclaim in Illinois as abusive conduct deserving punishment. Indeed, Senior Circuit Judge Friedman's dissent viewed it as an entirely proper assertion of a permissive counterclaim.

[3] The majority was simply relying on the dubious proposition of law that Izumi is "judicially estopped" from asserting even permissive antitrust counterclaims in Illinois because Izumi joined Windmere in stating that there was sufficient evidentiary overlap between Windmere's Florida antitrust counterclaims and Philips' Florida claims to warrant a single, rather than multiple trials, and because Izumi declined the Illinois District Court's suggestion that Izumi seek to add its own antitrust counterclaim to the Florida litigation where it was no longer a named party on any pending claim.

[4] The cases cited at Opp. 9-10 stand for no more than the basic principle that federal courts have inherent power to punish egregious conduct by parties before them. Indeed, the egregious conduct by the parties in these cases ranged from perjurious testimony upon which the outcome of a criminal case turned, *see United States v. Shotwell Mfg. Co.*, 355 U.S. 233, 240-42 (1957), to manufacturing a crucial piece of evidence as part of a "deliberately planned and carefully executed scheme to defraud not only the Patent Office but the Circuit Court of Appeals." *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 245-46 (1944). None of the cases cited by Respondents have anything to do with

3. Philips admits that two circuits do not recognize the judicial estoppel doctrine and does not dispute that the remaining circuits have vastly different requirements for invocation of the doctrine. Philips' effort to minimize the lower federal courts' uncertainty about the criteria for judicial estoppel rests on the same unjustified characterization of the circumstances and reasoning of the decisions below. It will not help future decision making to accept Philips' assertion that judicial estoppel is a proper sanction for "a litigant's duplicity or fraud" (Opp. at 13) or, even its more temperate statement, that it applies where a party has made a representation to one court that "directly contradicted its assertions to others" (*id.*). The Court of Appeals found neither in this case, and the question remains whether application of the expanding judicial estoppel doctrine can properly be based on more amorphous factors such as those relied on by the majority.

4. The review sought by this Petition is not of any issue of fact, but rather of questions of law concerning the Court of Appeals' jurisdiction and, if jurisdiction is found, the legal criteria for judicial estoppel.[5] In addition, there is no basis for Philips' contention that the interlocutory nature of the appeal below makes certiorari inappropriate. Where would it be better to review the scope of a court of appeals' jurisdiction under § 1292(b) —as this Court has reached out to do in *Yamaha Motor Corp., U.S.A. v. Calhoun* (No. 94-1387), 115 S. Ct. 1998 (1995)?

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the doctrine of judicial estoppel or the jurisdiction of a court of appeals to invoke it *sua sponte* as an alternative ground for deciding an appeal certified under § 1292(b).

[5] A Court of Appeals is, of course, not a finder of fact; at most, the judicial estoppel theory was based on the majority's view as to the legal consequences of undisputed matters of record. The dissent criticized the majority for making a determination that should in any event have been committed to the Illinois District Court's discretion in the first instance.

For these reasons and those stated in the Petition, certiorari should be granted or, at a minimum, the Petition should be held for appropriate disposition or consideration of the second question presented following the decision in *Yamaha* (No. 94-1387).

Respectfully submitted,

GARY M. HOFFMAN
(Counsel of Record)
CHARLES W. SABER
GABRIELLE S. ROTH
DICKSTEIN, SHAPIRO
& MORIN, L.L.P.
2101 L Street, N.W.
Washington, D.C. 20037
(202) 785-9700

Attorneys for Petitioner
Izumi Seimitsu Kogyo
Kabushiki Kaisha

Of Counsel:

JAMES VANR. SPRINGER
DICKSTEIN, SHAPIRO
& MORIN, L.L.P.

WILLIAM L. ANDROLIA
KODA & ANDROLIA
1880 Century Park East
Los Angeles, California 90067
(310) 277-1391

November 9, 1995